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THESIS

Italian Fascism: Its Economic Organization
and Results

by

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Preface

So much has been said and written about Fascism in recent years that it has created a desire on my part to make a careful study of the real economic results of it in a country wherein the Fascist leaders have been in full control for a considerable period of time. I selected Italy as the country for my study because Mussolini and the Fascist leaders have had the opportunity of working out their economic problems since 1922 with the apparent full cooperation of the Italian people. This study covers the period from the beginning of Fascism in Italy up to the beginning of the present war. It has been necessary to explain the political and economic organization of Fascism in the first part of the thesis, but the major part of the work has been spent in analyzing the economic results of Fascism on the Italian people.

Part I

GENERAL VIEW OF FASCISM

Introduction. The impact of Fascism, including the original Italian version and the other more recent copies, on the world has been so violent that it behooves all of us to know what it is against which we must contend. Since Italy was the originator of Fascism, one's study logically begins there.

Literally, Fascism is derived from "fascio," a word meaning a group or cluster of plants which grow stronger by being bound together. This original meaning is still evident in the Italian interpretation of the word, for under Fascism the individual exists only to increase the power and the unity of the State. According to Fortune, "The individual, separate from the State possesses no more function or reason or validity or life outside the State than one cell of the body divorced from the body." (1) This unified State is all powerful, comprehensive, or "totalitarian." It encompasses not only the political, judicial, and economic organization of the nation, but also its very will, thought, and feeling. The entire life of the people is to be organized into a single comprehensive set of institutions--a concept which is one of the chief characteristics of Fascism.

(1) Fortune, Volume X--Number 1 (1934), p. 48

General Principles

Individual's Place. The individual's place is to serve the State in every way possible. It is his highest obligation. Whereas individual persons live their lives, then die, society as a whole is eternal. Consequently, the preservation, expansion, and improvement of society is much more vital than one's personal desires. This attitude gives a spiritual quality to the State which must be taken into consideration in studying the Fascist economic organization. Since it tends to give a religious atmosphere to the sacrificing of one's will to that of the State, it makes one more willing to endure the sacrifices Fascism has imposed.

Nationalism. With society as the end and the individuals the means in Fascism, it is not surprising that Fascists have a strong belief in nationalism. National grandeur and prestige are nurtured both in domestic affairs and in relations with other states. Italians who, for a long time previous to the advent of Fascism, had not been able to feel particularly proud of their country are once again glad to belong to their fatherland. Whether this feeling is entirely justified or not, the Fascists have worked hard to engender it. Nationalism shows itself in the strong racial consciousness. It is behind the militaristic attitude of the State. According to Mussolini

war is not only necessary but desirable--(although I wonder if, at times during the last two years, he may not have begun to doubt that desirability). He believes war keys up human energies and gives an opportunity for heroism. International cooperation is useful only as long as it promotes the aims of the Fascist State.

Whenever the aims of the Fascist nation can be more effectively served by acting alone, even by making war, the idea of peaceful observance of treaties and international cooperation are as quickly discarded as an old cloak. (1)

Inequality of People. Italian Fascism recognizes the inequality of people. It believes that the average person is not always aware of what is good for him, and so majority rule is not feasible. Consequently, the State must be ruled by an elite group who understand the needs of society as a whole. This elite group must be headed by a leader having great wisdom--one who is completely disinterested in anything but the welfare of the State. Naturally, this leader is Mussolini and the elite group, the Fascist Party. This inequality is acknowledged again in the recognition that there are various classes with different interests and abilities and that some are fitted for managerial work while others will always be laborers.

(1) Dixon, R. A. and Eberhart, E. K., Economic and Cultural Change (New York, 1938), p. 521

Private Property. One might expect to find a State which is so powerful and important controlling all property. Nevertheless, the Fascists believe in the system of private property, but not because of a belief in the individual's right to it. Rather, Fascism believes that private ownership is the most efficient way of controlling property and so permits it. If, however, it should decide that the private owning of property was not expedient, it would have no scruples about abolishing it.

Thus, briefly, a very general picture of some of the leading principles of Fascism has been drawn. Yet Fascism is really indefinable since it is still in the process of evolution. As it now appears, Mr. Goad has described it accurately when he said that "the whole essence of Fascism is cooperation in a hierarchy of disciplined work." (1)

Economic Background to Rise of Fascism

Current Economic Systems at Time of Rise. Italian Fascism can be understood better if we note briefly the background from which it developed. Democracy was considered near the center of conflicting economic movements. In a democracy the means of production are privately owned,

(1) Goad, H. E., The Making of the Corporate State (London, 1932), p. 72

but there is a careful system of checks and balances to prevent too great concentration of economic or political power. To the "left" lay socialism and communism, characterized chiefly by the intention to vest the ownership of land and capital in society as a whole. To the "right" lay any system, such as Fascism, in which the control of the means of production is denied the workers and freedom is denied the individuals.

Democracy in Italy. Italy had been a democracy in the years after its unification prior to Fascism. Perhaps it should be added "in name only," for the Italian people had not been educated for a democracy. Prior to the unification, Italy had been divided into a number of petty states, each independent of the others, each having its own traditions, customs, and almost separate languages. They were not accustomed to representative government; in fact, 75% were illiterate. Democracy meant nothing to these people who took no interest in public affairs anyway. It wasn't until after the World War that universal suffrage was introduced. Political parties could not gain public support under such apathy. This meant that there was much intrigue and fraud in the governing officials and government. It was a government incapable of combating the many problems of post-war Italy.

Socialism in Italy. As a result the socialists gained considerable strength after the war. Workers seized factories in several places although they were not able to hold them long due to lack of funds. This apparently rapid growth of socialism and the revolt of the masses was most unpopular among the rich. They were not many in number, but they were capable of giving strong support to any group they chose.

Mussolini, who formerly was a member of the socialist party, saw that the group that would succeed must establish law and order and must be directly opposed to some of the fundamental principles of socialism. With these points in mind he set about getting supporters for a party that apparently was to be reactionary and definitely opposed to "leftist" doctrines.

Mussolini and the Middle Class. The soldiers who had just recently returned from the war were disillusioned at the conditions which they found. These members of the middle class formed a nucleus for Mussolini's party in nearly every town. The other members of the middle class gladly added their support to a cause that permitted them to range themselves against the proletarian masses. It has been described thus:

It was the revolt of a class disillusioned by a peace which had failed to realize in internal policies those rewards in which they had been led to put their trust, and which in foreign politics had failed to obtain for them what they considered their rights and dues. (1)

Mussolini realized that it was negative support he received--that is, support against the weak government and chaotic conditions of the times rather than support for his Fascist Party. Therefore, he stood for private property which he knew would please the middle and upper class people. He worked also for law and order. This permitted him to use force. Thus, Fascism arose in time of national distress when the people wanted leadership and better times. Under such circumstances it was not difficult to establish the form of government which Mussolini developed.

Policies of Mussolini in Carrying out the Corporate State

Before discussing the hierarchy which absorbs the political and economic organization of Italy, let us glance at the general policies which Mussolini and, therefore, the Fascist Party and all Italy have adopted for the time being.

(1) Davis, J., Contemporary Social Movements (New York, 1930), p. 442

Unimportance of Theories. First, Mussolini believes theories are not important. Action should coincide with the thought. Hence, Fascist Italy is opportunistic in its methods, governed only by the exigencies of the moment. Its only program is to promote the greatness of Italy. Any method or mechanism in industry which best serves this purpose, it uses. Any plan now in force may be cast aside without further thought if it seems to be failing in its purpose. The effectiveness of private initiative is recognized, but, whenever it fails to produce the desired results, the State steps in. Thus, there are changes as often as conditions necessitate.

Self-sufficiency. Self-sufficiency is another important policy of the State. Mussolini wants to make Italy as nearly self-sufficient economically as he can. It is a policy in which the interests of the State are far more important than the interests of individual Italian consumers. On account of her very limited means and scanty natural resources, Italy has a serious problem during major wars when it may be disastrous to be dependent upon foreign sources for essential supplies. Accordingly, this policy is a natural accompaniment to the militaristic attitude of the government.

Fecundity. Difficult to reconcile with this policy of self-sufficiency is that of fecundity. It, too, does not seem to be compatible with the interests of the Italian consumer. Yet the State is doing all it can to increase the population. Births are encouraged through financial compensation, mass marriages, and taxes on bachelors. Married men get first preference in government jobs and in housing. Mothers get special maternity benefits. To increase the population still more, emigration is restricted. Here once more one sees the militaristic attitude making its demands felt since wars need large manpower. Also, if Italy is to have great prestige, it must be strong and virile. Mussolini believes that countries with declining birth rates are usually decadent.

Glorification of Farming. The glorification of farming and farmers is a logical accompaniment to the two preceding policies, and Fascist leaders have never ceased praising the rural life and saying that Fascism champions the cause of the peasant. Italians are urged to return to the rural life and forgo the desire to live in a city. It is in the rural sections of the country that the population increases most rapidly. It is this same group that furnishes the nation's vital means of subsistence since

self-sufficiency in any food depends on a hard-working farm population. To make an opportunity for more to enjoy this ideal way of life, large public works expenditures have been made for land reclamation of swampy or low-lying areas. A policy of turning wage earners into share croppers and tenants is advocated. Also, it is hoped that many large estates may be broken up into small holdings so that more tenants will have an opportunity to own the land they till.

Labor. In the Fascist labor policy the interests of both workers and employers must be subordinated to the more important interests of the State. Mussolini believes that there should be no conflict between workers and employers. Since both are needed, one group should not be favored at the expense of the other. Instead there must be collaboration. There must be neither strike nor lock-out. The Charter of Labor says that wages must correspond to the normal demands of life, possibilities of production, and output of labor. Perhaps it should be mentioned that Fascists do not consider one's pecuniary benefits from working one's whole wage. They believe one should consider also the many benefits offered workers by the State as composing an additional wage, a social wage.

Financial Policy. It has been Mussolini's policy to keep the financial structure of the Fascist State on as firm a footing as possible. He has taxed the people heavily, increased the state debt to the Italian people greatly, and reorganized the banking system. "Through a series of daring and determined financial operations the Fascist government has thus far succeeded in obtaining at home the huge funds needed for the government's various exploits." (1)

Paternal Attitude. Mussolini's paternal attitude should be mentioned also. He wants the people to like Fascism and wants it desparately. He wants them to feel that what he is doing is good for them even though at times they may not like it. In his desire for the people to like Fascism and himself lies one of the major differences between Mussolini and other dictators, most of whom are not so vitally interested in their people's approbation.

(1) Welk, W. G., Fascist Economic Policy (Cambridge, 1938)
p. 230

Part II

POLITICAL STRUCTURE OF FASCISM

Introduction. I have said that "the essence of Fascism is cooperation in a hierarchy of disciplined work," (1) or as Mr. Drucker says, "The abracadabra of Fascism is the substitution of organization for creed and order." (2) Certainly one of the outstanding features of the economic and political life of Italy under Fascism is its complicated organization. The whole country is organized like an army, each citizen in his own place with the leader over all. "Every occupation, every economic activity must be coordinated with all others. This means that jobs must be found for all and that the social, political, and economic systems must be regulated and directed from the top." (3) Since the political system is at the heart of it all, I shall describe that first.

Fascist Party

Composition. Because the Fascist Party and the State tend to merge, one should understand the structure of the Party in order to understand the State. The National Fascist Party is the only political party which is permitted in Italy. It is composed of the elite who

- (1) Goad, H. E., The Making of the Corporate State (London, 1932), p. 72
- (2) Drucker, P. F., The End of Economic Man (New York, 1939), p. 23
- (3) Dixon, R. A. and Eberhart, E. K., Economic and Cultural Change (New York, 1938), p. 523

have the ability to rule, according to Mussolini. In reality it is composed of those who were in the organization prior to the March on Rome, certain loyal Italians who were admitted at first, and those who have come up through the youth organizations.

Size. At present there are 2,633,514 members of the Fascist Party together with the auxiliary groups which are composed of 774,181 in Women's Group, 105,883 in the University Group, and 7,891,547 in the Youth Organizations. This is out of an approximate population of 45,354,000. (1)

Privileges. The original party members receive many special privileges, while some special privileges are granted those who have been educated by the youth organizations. All Fascists are chosen ahead of non-Fascists by the State's Labor Exchange, are preferred as teachers, and are practically the only ones in public office. All of the able-bodied party members belong to the Voluntary Militia, or Black Shirts. Although most are in reserve units, there are some units which are active and do guard or police duty. All Fascist Party members are expected to be model citizens and to set an example for the rest of the population. Penalties are inflicted for misconduct.

(1) The figures in this paragraph are taken from The World Almanac (New York, 1943), p. 194-195

Party Hierarchy. The Party is built up carefully so that it is completely under the control of Il Duce. Briefly, each local group has a secretary appointed by the provincial secretary and an advisory committee recommended by the local secretary but appointed by the provincial secretary. In the same way the provincial secretary and the Federal Directory (provincial advisory council) is controlled by the Secretary of the Fascist Party. Likewise the latter is selected by Il Duce. Il Duce is absolute in power. He appoints the members of the National Directorate, the executive body of the Party. Thus, Il Duce controls the entire party--each person securing his position from someone higher up in the hierarchy, not by any predetermined arrangement, but because of his loyalty.

Form of Government

Executive Branch. Mussolini as head of the Government, Il Capo del Governo, and as head of the Fascist Party, Il Duce, is supreme. There is a king, but he is in the background--a pleasant background which the people like, but who, in reality, has nothing to do with running the Fascist organization.

Fascist Grand Council. Next in importance is the Fascist Grand Council, an inner circle of Fascist Party

leaders and government officials all appointed by Mussolini. It is composed of the original leaders of the Black Shirts, ministers and other important government officials, and a number of persons appointed for a term of three years by Il Duce who is president of it. According to Fortune:

Mussolini consults the Grand Council on matters of State as well as on other matters of the Party. In the first case their "advice" (which is really a decision and which is usually Mussolini's decision) goes to the Italian Cabinet and in the second case it goes to the National Directorate of the Fascist Party. In either case, it gets instant results. (1)

But perhaps its most important function would be that of submitting three names to the king from which he would choose a successor in case of the death of Mussolini.

Legislative Branch. The two legislative bodies are the Senate and the Chamber of Fasci and Corporations. The latter takes the place of the Chamber of Deputies which was abolished by a decree passed by the Grand Council on March 10, 1938. (2) The powers of these bodies are extremely limited. Really they are nothing more than a group

(1) Fortune, Volume X, Number 1 (1934), p. 51

(2) Reale, E., Foreign Affairs, (October, 1939), p. 51

of yes men who put into law the decrees or ideas of Mussolini. At that, many decrees are already functioning before these bodies get around to passing them.

The Senate is composed of the princes of the royal house and persons of fame in science, literature, or in a pursuit particularly beneficial to the government. They are appointed by the king for life--he follows Mussolini's recommendations--and at present (1939) there are 543. (1) Since one cannot become a senator until one is forty, the Senate usually has a large percentage of elderly men, and, since the mortality rate is high among such men, Mussolini has brought about the appointment of a large number of the present membership. Naturally, these are all ardent supporters of Mussolini and Fascism.

The newly formed Chamber of Fasci and Corporations is composed of "national councillors" who are chosen because of their functions in the Party or in the Corporations. They are not elected but are the combined members of the Fascist Grand Council, the National Council of the Fascist Party, and the National Council of Corporations. All of these men, totaling around 650 or 700, may be removed from office by Mussolini if he wishes. Contrary to most such bodies, this body has no fixed legislative term,

(1) The World Almanac (New York, 1943), p. 194

and the members serve only as long as they belong to one of these Councils. Egidio Reale, in an article in Foreign Affairs, points out how little this body represents the will of the Italian people and how subservient it is. He says:

No bill submitted to the Chamber of Fasci and Corporations for approval can be rejected or amended without the consent of Il Duce. And, in order to avoid those surprises always possible in a secret ballot, the law provides that the Chamber shall vote openly. Every contrary vote is considered an act of insubordination against the Party, the voter automatically loses his seat in the Chamber and is excluded from public life. (1)

Judicial Branch. Since any judge may be dismissed by decree, the judicial branch is dominated by Fascists, too. Hence, the courts offer no true appeal for an individual.

Bureaucracy. Though the State favors the idea of governing people through occupational categories rather than by geographical districts, nevertheless "there exists for each of the 92 provinces of Italy a provincial prefect and for each great city a podesta and for each province and city a bureaucracy. Practically all officials are members

(1) Reale, E., Foreign Affairs (October, 1939), p. 157

of the Party; all assigned, not elected, to their positions." (1) Officials are constantly being shifted around, men seldom serving their own local office.

(1) Fortune, Volume X, Number 1 (1934), p. 53

Part III

ECONOMIC STRUCTURE OF FASCISM

Economic Resources

Before studying the economic organization, it is necessary to consider Italy's natural resources in order to understand the problems which confront the Italian government, for many of Italy's problems are the result of her natural resources.

Natural Resources. Italy is about three-fourths the size of California--only 119,800 square miles, yet she has an estimated population of 45,354,000. (1)

A large part of the country is mountainous and arid; only a relatively small area is naturally fertile and easily tilled. Nevertheless, more than two-thirds of the land is under cultivation or in pasture, and most of the remainder is used productively. (2)

The most fertile land is in the rich Po Valley in Northern Italy. Here, also, is located four-fifths of the Italian industrial population. This region is definitely continental in climate. South of this region the coastal plain has a Mediterranean climate, but much of the interior is mountainous, dry, and barren. During the rainy season the water rushes down the mountain gulleys carrying with it the

(1) The World Almanac (New York, 1943), p. 194

(2) Schmidt, C. T., The Plough and the Sword (New York, 1938), p. 3

valuable surface soil. On the whole the land grows progressively poorer from North to South and is worked intensively, often beyond the point of diminishing returns.

This wide variance in climate and soil makes it possible to raise a large variety of products, from wheat, corn, rice, and sugar beets in the North to citrus fruits, olives, and grapes in the South. Her percentage of coastline is high, and her position in the heart of the Mediterranean and at the same time within easy access of Northwestern Europe is advantageous. Her climate is delightful for tourists who aid in counterbalancing Italy's heavy imports.

Italy's desire to be an industrial nation is hampered by her lack of many vital industrial minerals. She is almost entirely dependent upon importation for such materials as coal, chromite, copper, manganese, nickel, tin, tungsten, nitrates, phosphates, and petroleum. She has sufficient lead, iron, and potash for ordinary domestic needs provided she doesn't increase her demand. She has an abundance of aluminum, mercury, zinc, graphite, and sulphur. (1) Some other assets are her marble quarries which

(1) Klimm, L. F., Starkey, O. P., and Hall, N. F., Introductory Economic Geography (New York, 1937), p. 232

are famous the world over, her abundant water power in the North for electricity, and her timber, although the latter is becoming depleted.

Working Population. Italy's proportionately heavy population means that cheap labor is abundant. That is one of the reasons the silk industry is found here and nowhere else to speak of outside of the Orient.

Assets and Liabilities. Thus a balance sheet of assets and liabilities, from the viewpoint of economic resources, shows that Italy has for assets, manpower, geographical position, and water power; while for liabilities she has an absence of coal and fuel oils in commercial quantities, limited mineral resources, and a high percentage of rocky mountainous territory of low productive value.

The Corporate State

Introduction. Quite different from the economic organization of most countries is that of Fascist Italy. It is known as the Corporate State. Long before the meaning of it could be determined, Mussolini used the term to mystify people and, by the use of a strange term, to conceal the compulsion that really was behind it. Through the Corporate State the Fascists claim the right to regulate economics as well as other aspects of life. It is supposed to be the machinery to correct the faults of private

enterprise. But, it could easily be used to bring on socialism. An article in Fortune describes it as follows:

....an idea for creating a genuinely modern State by welding together the entire nation into a system of organization based on everyone's utility to the State. Since a large part of most people's utility is their economic utility, the Corporative State's organization is to be based largely on occupational categories. (1)

Charter of Labor. A foundation for the Corporate State is found in the Charter of Labor. This code of labor relations came into existence in 1927. It states the rights of workers, but more particularly their duties and obligations. All work is a social duty. Syndicates and corporations are recognized as State organs. Private initiative is considered the most effective system for production, but such production shall be subject to State control, or intervention, when private initiative is inadequate or the State's political interests are involved. It makes it compulsory for an employer to engage workers through State controlled bureaus. Such are the major topics discussed in the Charter of Labor.

Syndicates. The basic unit in the Corporate State is the syndicate, for the syndicates antedate the corporations. There is a syndicate for the workers in

(1) Fortune, Volume X, Number 1 (1934), p. 57

each industry or trade. During the early part of his rule, Mussolini decreed that ten per cent of the workers in a given industry were enough to form a syndicate which, if recognized by the State, could make labor contracts that were binding on all of the workers of that industry. Likewise, syndicates of employers could legislate for their whole industry provided they employed at least ten per cent of the workers of that industry and were recognized by the State. The number of syndical associations was limited, in 1934, to 1,201. All of the workers and employers must pay dues to the syndicate in their industry whether they belong or not and must abide by labor contracts signed by the recognized workers' and employers' syndicates of the industry. Thus, practically everyone except infants, priests, housewives, and the aged come under the control of some syndicate and are bound by a labor contract.

Purpose of Syndicates. Just as in all Fascist organizations, the purpose of the syndicate is to promote the interests of the State rather than to protect the individual's rights. It casts aside the idea of class warfare and substitutes unity and collaboration. "It does not oppose, but conforms to the needs of production; it does not deny the conscious aims of labor, but harmonizes

them with the aim and with the industrial experience of the managers." (1) The contracts made by the syndicates always outlaw boycotts, strikes, lockouts, or other pressure methods. The syndicates also organize social welfare services and special training courses for their members.

National Federation. The smallest unit of the syndical hierarchy may be a local syndicate, but, more commonly it is the provincial syndicate; whichever it is depends upon the number of workers or employers of a given industry that there are in the locality. Usually, there is one workers' and one employers' syndicate in each province. All of the provincial syndicates of workers, or employers, of a certain industry are joined together into a national syndicate, called a National Federation. The directing officers of all the syndicates in one field elect the directing officer of their National Federation. Supposedly, these directing officers of the provincial and local syndicates are elected by the members of their respective syndicates, but usually the names are chosen by higher officers of the syndicates and only voted on by acclamation. In any case they must be good Fascists and must be approved by the next higher syndical organization--just as in the political organization.

(1) Davis, Jerome, Contemporary Social Movements (New York, 1930), p. 461

Collective Contracts. Only the National Federations have legal power--that is, can make collective labor contracts which are binding on all syndicates belonging to their federation. Mr. Westmeyer defines such a contract as follows:

....an agreement entered into by an employers' association and a workers' association, covering such things as wages, hours of labor, conditions of work, and other factors in the employer-employee relationship. Such an agreement runs over a specified period of time, but remains in force after its expiration date if a new contract has not been signed. (1)

The following, taken from Mr. Field's book on The Syndical and Corporative Institutions of Italian Fascism, is an example of a labor contract:

An example of a collective labor contract applying nationally to an entire category of workers is that regulating the status of certain workers in the cotton industry classified as "assistants" (assistenti). The "assistants" were defined by the contract as those workers, however designated, who tended to the mechanical adjustments necessary to the normal functioning of a group of machines and watched over the progress of the workmen's tasks. The trial period of employment was fixed at 28 days. The normal working time was set at eight hours a day but the customary periods before and after the normal

(1) Westmeyer, R. E., Modern Economic and Social System (New York, 1940), p. 400

working time, within a maximum of 40 minutes a day; occupied in preparations for work and in assuring the regular beginning and ending thereof, were not to be considered overtime and were understood to be completely recompensed by the regular fortnightly pay. Annual paid vacations were provided as follows: six days for persons employed by their firm for from one to five years, ten days for those employed for over five years. The vacations were to be continuous if this was compatible with the local requirements of the industry. The vacations were to take place "preferably" in the period from May to October. Payment for vacations was to be made in advance. In case of the illness of a worker his position was not to be filled for six months and two-thirds pay was due him for the first three months of illness. In case of accident the firm was to give full pay for not more than three months including insurance payments in that amount. For dismissals and resignation 28 days' notice was required, except during the trial period. The indemnity for dismissal was set at eight days' pay for each complete year of service after January 1, 1919. In case of death the indemnity was to be paid to the workers' dependents. Veterans of the War and of the Fascist Revolution were entitled to an additional indemnity above that computed for their actual service. Minimum rates of pay for fortnightly periods were fixed for different classifications of workers at 255 lire, 230 lire, and 190 lire. Individual wages paid at a higher rate were to remain unchanged. Payment was required to be made on a fortnightly basis. In case of the reduction of work the workers were to receive "75% of two-thirds pay" (one-half pay) for the hours not worked.(1)

(1) Field, G. L., The Syndical and Corporative Institutions of Italian Fascism (New York, 1938), pp. 104-105

Whenever local conditions make it necessary, local agreements are made by the directing officers of the provincial syndicates involved, working with and under the National Federations involved, to supplement the main contracts. As I have said before, these labor contracts are binding on all workers or employers of the category involved whether they are members of a syndicate or not. But not even members of the syndicates are required to approve the contract in order for it to be binding.

Since the leaders of all the syndicates are loyal Fascists, the regulations are usually accepted amicably, but, if some disagreement arises over the interpretation of a contract, or, if no agreement about a contract can be reached, the next higher body of the syndical organization settles it. If no agreement is possible, it goes to the labor court, the Magistracy of Labor, composed of three judges and two citizens who are experts in production and labor, to bring about a friendly settlement or, as a last resort, to make a decision which is binding. All the officers being faithful Fascists and carefully chosen, the welfare of the State comes before the welfare of the individuals composing the syndicates and so settlements are easily reached. In fact, very few cases ever go to the courts. Mr. Field explains it thus:

Judicial settlement of collective labor controversies, it appears, is regarded by Fascist syndical officials as a distinctly exceptional expedient. It is probably resorted to only in cases where a peculiarly delicate controversial situation makes it inadvisable politically for the syndical representatives, especially those of labor, to make the necessary concessions in direct negotiation. In such cases the interposition of the judicial authority may be found useful. (1)

National Confederations. The National Federations are arranged in groups to form nine National Confederations. The groups are based on four fields: (1) agriculture, (2) industry, (3) commerce, (4) banking and insurance. All of the National Federations of workers involved in industry form the National Confederations of Workers in Industry. Then there is a National Confederation of Employers in Industry. In the same way there is one for workers and one for the employers in each of the other three fields mentioned above. The ninth confederation is comprised of the associations of syndicates of professional men and artists.

Purpose of the National Confederation. The purpose of these confederations is to coordinate the work of the autonomous federations. Their chief task lies in the field of social welfare, education, and social assistance. However, they are empowered to represent the collective

(1) Ibid, p. 119

interests of the syndicates under them and to be of general service to them. They have control over the financial administrations of all syndical associations affiliated with them.

The offices of each of the nine confederations in the capital have legal recognition, but the provincial and inter-provincial offices of the confederations are just local offices for carrying on the work. The council of each confederation is composed of the presidents or secretaries of each of the affiliated national federations. This council nominates a president, but his final appointment must come from the Ministry of Corporations. These confederations had more powers originally but were shorn of many with the advent of the corporations in 1934.

Corporations. I have shown that the syndical organizations are concerned chiefly with the relationships between employers and workers. They are not the primary organizations for carrying out the wishes of the Fascist State along production lines. This task is delegated to the corporations. By "corporation" in Fascist Italy one does not mean a business enterprise but a council of employers, workers, technicians, and others, all chosen from a certain field of production, together with three representatives of the Fascist Party.

There are twenty-two of these corporations, each representing a different field of production as follows:

(1) cereals	(12) paper and printing
(2) vegetables and fruits	(13) building
(3) wine	(14) water, gas, and electricity
(4) oil, including olive oil	(15) mining
(5) zootechnic and fish	(16) glass and ceramics
(6) beets and sugar	(17) insurance and credit
(7) wood	(18) professions and art
(8) textile products	(19) sea and air transport
(9) metallurgical and mechanical	(20) internal communications
(10) chemical	(21) theatre and spectacles
(11) clothing	(22) Italian hospitality

The corporations are developed along vertical lines. They include representatives dealing in raw materials of a given type of product right up until the consumer has bought the finished product. Their purpose is to coordinate the activities of the various concerns involved, fix prices, settle difficulties arising with concerns in other fields of production, determine the amount of production, give advice, and regulate the production of that field so that it harmonizes with Fascist aims. In other words they have "consultive, conciliatory, and normative powers." (1)

(1) Welk, W. G., Fascist Economic Policy (Cambridge, 1938), p. 107

Let us consider the Corporation of Viticulture and Wine Production. It is composed of the following:

A president and 32 members, including representatives of the Fascist Party (3); Winegrowers (6 employers', 6 workers'); Wine, Vinegar, and Liquor Industry (2 employers', 2 workers'); Beer and Allied Industries (1 employers', 1 workers'); Alcohol, 2d category (1 employers', 1 workers'); Traders in Wine and Spirits (3 employers', 3 workers'); Agricultural Technicians (1); Chemists (1); Cooperative Winegrowers and Wineshops (1).

The number of employers' representatives includes three representatives of business executives, one for agriculture, one for industry, and one for commerce. (1)

Work of the Corporations. If the Fascist Government decides that the interests of the State demand that the price of a certain wine should be lower, the corporation must decide how this can be accomplished or who is to absorb the cut in price. Again, if the government wants more of a certain product, the corporation must see that its production is increased. Sometimes the corporation can act as a Chamber of Commerce. For instance, one time the wine growers, through their corporation, called the attention of the Ministry of Corporations to the fact that wine called Marsala had a bad name because any kind of inferior wine was likely to be labeled Marsala. Immediately orders were

(1) Ibid, p. 109

given to the corporation to set standards and rectify the situation.

Mr. Schneider gives the following examples of the work of the corporations:

The Corporation of Grains continued the work of the Ente Nazionale Risi, which had been formed in 1931 to raise the price and consumption of rice. The price was raised 25 per cent by means of a government premium. The yield per acre was increased, exportation encouraged, and a national propaganda for the use of rice was continued after the "campaign" of 1934. In addition corporative inspectors were appointed to enforce the collective contracts, and, instead of raising the pitifully low wages, special assistance was given to laborers in the rice fields who happened to be in distress. Methods were devised for improving the threshing of rice, for licensing producers, and controlling the amount and types raised. Next the Corporation took up the problem of marketing and milling wheat, attempting to reconcile the interests of the millers and the grain merchants, improving the threshing machinery, providing for collective grain elevators, fixing the prices of bread, and lowering the import quotas.

The Corporation of Fruits, Vegetables, and Flowers discussed various measures for promoting the canning and merchandising of fruits and vegetables, especially for exportation. (1)

(1) Schneider, H. W., The Fascist Government of Italy (New York, 1936), p. 122

The president of each corporation is the Minister of Corporations, but the presiding officer is usually the vice-president who is chosen by the Head of the Government and who is a member of the Fascist Party. These corporations are not representative bodies which may inaugurate policies of their own. They are simply administrative bodies for carrying out the wishes of the ranking Fascists. They may discuss and even propose or recommend a certain policy, but in the end it is their responsibility to make workable the ideas passed down to them. They must see that each syndicate involved cooperates.

Central Corporative Committee. All of the councils of the twenty-two corporations unite to form the National Council of Corporations. Although it was originally to be "the general staff" of Italian economy, it has proved to be too unwieldy. It was found that it was much better to delegate the work of economic coordination to a committee--the Central Corporative Committee.

The composition of this committee is given in the law of January 5, 1939, as follows:

The Central Corporative Committee is made up of (1) Ministers and Under Secretaries of State; (2) the vice-secretaries and the administrative secretary of the Fascist Party; (3) the representatives

of the Fascist Party who act as vice-presidents in the 22 corporations; (4) the ten presidents of the employers' and workers' confederations, artisans' unions, and the National Fascist Institute of Cooperation. (1)

This committee makes the final decisions and is the corporate body with the highest authority.

Ministry of Corporations: All of these syndical and corporate bodies are under the control of the Ministry of Corporations. This is the direct representative of the national government in the syndical hierarchy and is similar to the Departments of Labor and Commerce in this country.

The ministry is entrusted with such tasks as the approval of the by-laws and the legal recognition of individual syndical associations; the confirmation in office of all syndical officials; the supervision of the general activities and the financial administration of all syndical associations; the dismissal of syndical officials and the appointment of government commissioners for the reorganization of syndical associations; the determination of the amounts and the distribution of compulsory syndical dues; the drafting of labor and social security legislation; the registration of collective labor agreements and the arbitration of collective labor disputes; the planning and direction of the work of the individual corporations, the National Council of Corporations, and the Central Corporate Committee, in each of which the Minister of Corporations is ex officio chairman; and the exertion of such persuasion and

(1) Reale, E., Foreign Affairs (October, 1939), p. 156

informal political pressure as may be necessary to insure collaboration of individual groups of workers or employers with the government.....In its essence, it may well be said that the Ministry of Corporations is the government agency which keeps the entire syndical and corporate machinery functioning smoothly and in thorough harmony with the government's general economic and political plans. (1)

Spreading through the provinces are local offices of the Ministry of Corporations. However, these are chiefly employment offices.

Financing the Organization. This intricate economic organization with its many Fascist officials is financed by the workers and employers in Italy. Although the money is called "dues," it amounts to taxation since all must pay dues whether they belong to the syndicates or not. A year's dues cannot be more than the equivalent of one day's pay for a worker, or the equivalent of one day's payroll for an employer. However, the aggregate is fairly large. Of this 17% is spent on educational and vocational work; 10% to operate the Ministry of Corporations; 1% to the Bank of Italy as a fund to guarantee collective labor contracts; and the remainder to finance the federations, confederations, corporations and other associations.

(1) Welk, W. G., Fascist Economic Policy (Cambridge, 1938), p. 142

Part IV

ECONOMIC EFFECT OF CORPORATE STATE
ON ITALY

Labor

The Syndicates and Labor. The backbone of the Corporate State is the syndical unions of employers and employees. Yet a study of the syndicates in Italy shows that these unions do not serve labor but are just a convenient method of keeping the workers constantly under the control of the Fascist Party. As I have said previously, with the exception of those of the local syndicates or in minor offices, the officers are not dependent upon labor for their positions but must be recommended from higher up in the Fascist organization. Only those loyal ones who have the interests of the State and of the Fascist party above those of the individual are ever recommended. Of course the workers have the right to vote for these people, but as Carl Schmidt says, "The Fascist point of view is that the elections are only an administrative matter, the means that enable the masses to affirm their loyalty to the government." (1) Thus the representatives of labor, who decide on the collective contracts and policies for the workers, do not come from the ranks of workers usually and many times fail to grasp the needs of the workers.

(1) Schmidt, C. T., The Corporate State in Action (New York, 1939), p. 77

It can be said that the employers' groups do not fare so badly. Many of their members are closely connected with Fascist officials, and the officials recommended for them are loyal Fascists from the employer group.

Thus, "Negotiations leading up to the conclusion of such (collective labor) contracts are carried on solely by officials of employers and employee syndicates--in other words, by representatives of business interests and of the ruling bureaucracy." (1)

Strength of the Employees' Syndicates. The strength and power of a labor organization depend upon its leaders and its numbers. Although on the first point labor in Italy seems to be at a disadvantage, on the second point their membership seems to be larger than before Fascism. However, it is broken up into many small isolated units under the syndicate organization. The rank and file of local syndicates never contact each other. All contracts are made by the syndical officials who, as I have said, are really government officials. Westermeyer says, "Thus the Fascist syndicates function to keep workers from discussing common grievances and to prevent any possibility of an organization springing up among the rank and file." (2)

(1) Ibid, p. 78

(2) Westermeyer, R. E., Modern Economic and Social System (New York, 1940), p. 414

The only really powerful weapon that labor has--the strike--is prohibited. It is prohibited and the penalty for striking is a maximum of seven years in prison. The employers' weapon--lockouts--is also forbidden. But lockouts are seldom used anyway. In fact, Fascist authorities permit employers to discharge a worker or groups of workers or even close down a plant on the ground that business does not justify the employment.

Collective Contracts and Labor. The collective contracts work a hardship at times since each contract must apply to all workers in a certain pursuit. This comprehensiveness makes it necessary to base the scale of wages on concerns that are the least efficient. This means that the contract is very unfavorable to many of the workers when the contract covers the nation.

Regulations in these contracts are supposed to be legally binding, but there are many violations by the employers who as a rule go unpunished. They usually can escape if by chance they are exposed--and few are ever exposed--by pleading that they did not know about the regulation. Since they probably didn't have anything to do with the drafting of the contract, there is no proof that they did know. So a worker cannot even be assured that he will receive all of the benefits due him.

Of course he can go to the provincial secretary of his syndicate and state his grievance--it is illegal for a grievance or dispute between an employee and his employer to be settled at the shop. Such a trip might be very inconvenient and even expensive for the worker. In addition, such a procedure may anger his employer so that the worker will be discharged soon since a violation of an employee's right may bring criminal proceedings against the employer. In practice, only dismissed workers apparently ever instigate a labor controversy. An Italian official has said that:

....it would be impossible in a time of such great unemployment (1934) for an employed worker to sue his employer since he would necessarily fear dismissal. This situation, he considered to be a necessary inequality between employer and worker that could not at present be overcome. At any rate it was insolvable while there was a surplus of workers. (1)

It is true that dismissed workers have received damages from employers, but as long as contractual violations must be endured in order to keep one's job, the value of the contracts is greatly reduced.

Even though a collective contract is supposed to be in force for a definite period of time, a collective

(1) Field, G. L., The Syndical and Corporative Institutions of Italian Fascism (New York, 1938), pp. 131-132

labor controversy to establish new labor conditions may be begun anytime if there has been a notable change in conditions. There has been much publicity concerning labor victories in these controversies. A closer examination leads one to believe that the victories are rather doubtful.

Mr. Field says:

The collective labor controversies reveal a definite procedure according to which the employers demand a very large wage reduction; the labor syndicates reply with the offer of a substantial concession, and a victory for labor is brought about by the court allowing a figure closer to the "offer" of labor than to the employers' demands. (1)

What gains labor has made seem to be political in origin. Principles of equity are not as important as what policy the Fascist Party is following at the moment.

Libretto. Workers are at another disadvantage in that each must possess a book, a libretto, which is really a labor passport. It contains a full record of all previous employment and one cannot secure a job without it. Since one does not willingly hire a man with a bad labor record, it is advisable for each individual to keep his libretto free from unfavorable comments. This blacklisting, which works to the disadvantage of labor is openly sanctioned by the government and was made compulsory by

(1) Ibid, p. 123

the Permanent Commission of Labor at the Ministry of Corporations on April 1, 1933. (1) Any country which intended to give labor a fair chance would abolish such a practice at once.

Suppression of Class Struggle. Fascism denies that there is any need for class struggle. Although different groups have different needs and interests, these should not clash but supplement each other. All should work together harmoniously for the good of the State and to increase productive capacity. The syndicate structure with its corresponding workers' and employers' syndicates is to guard the interests of all. From the State's point of view it has been successful as there has been little labor trouble. But as we have been examining these syndicates, it seems that the class struggle has not been eliminated but just suppressed. Only on the surface have capital and labor been harmonized. Labor has been completely subjected. The workers have no reasonable means of combating the dictates of the party and the employers. Any benefits labor has gained have not come through its own efforts but have been bestowed on labor by the party leaders for expediency's sake. Mr. Schmidt sums it up when he says:

(1) Ebenstein, W., Fascist Italy (New York, 1939), p. 167

Here, indeed, is the essence of Fascist labor organization. It is a mechanism for binding the workers firmly to the employing chiefs of the State. It is the ball and chain that reduces wage earners to helplessness, making them into passive raw materials for the "higher" purposes of the nation. Whatever strength the workers once had to resist the downward pressures of employers on wages and to influence governmental policies has disappeared with the destruction of the old economic and political labor movement. (1)

Unemployment. One of the most difficult problems that labor has to face is unemployment. Here in the United States, it was a serious problem during the depression years. The question arises as to whether Italy's Fascist economy controlled this problem in Italy in a better way. Before Fascism Italy had not been troubled seriously by unemployment. Her people were chiefly agricultural, and the surplus population emigrated to other countries. Mussolini changed these two factors as the years passed. He made it difficult for anyone to emigrate, and he tried to raise the birth rate. In addition, he hoped to industrialize Italy. These factors tended to increase unemployment so that it had become a serious problem even before the 1929 crash. Thereafter there was great unemployment.

(1) Schmidt, C. T., The Corporate State in Action (New York, 1939), p. 96

The unemployment insurance program had not been in existence long enough to be of any great benefit, and the one-fourth of the unemployed who were covered by it found the payments meagre.

Devices to Combat Unemployment. The government adopted various devices to relieve the unemployment. It prohibited women and boys from being employed except in occupations for which they were especially adapted. Farmers were forced to hire a minimum number of people for each unit of land which they owned. The introduction of labor-saving machinery was discouraged. Working hours were reduced by order of the syndicates. Overtime was eliminated, and anyone who received a pension could not be employed except in unusual cases. These measures tended to spread the work over a larger number of people, but reduced the earnings of many in proportion so that, in reality, the workers were shouldering the burdens of unemployment.

These direct compulsions were aided by extensive public works projects. Work was given to an average of 289,000 laborers in 1934 through these projects. (1) A billion lire was appropriated by the government for special projects that year in addition to the regular construction

(1) Loucks, W. N., and Hoot, J. W., Comparative Economic Systems (New York, 1938), p. 590

by the various government departments. These projects included the reclamation of land, building of roads and public buildings, extension of railroads and their electrification. Many of these projects were worth while, but sometimes projects were undertaken, such as the reclaiming of the Pontine Marshes, in which the work involved was apparently quite out of proportion to the increased value of the land.

The foundations for the future corporations were laid at this time. The government created "Institutes," or semi-political bodies to deal with particular emergencies as they might arise. The institutes could make public loans and direct certain industries. Gradually the government realized that these institutes needed more organized control and that the national economy was not improving and must be controlled. It was then that definite plans were made for directing the whole national economy through the corporate organization.

The unemployment situation remained serious, however, until Mussolini deliberately prepared for war in order to reduce unemployment. How effective this measure was cannot be determined accurately since figures on unemployment have not been given out since 1935. The conclusions that I have been able to draw are that at first the Ethiopian War did not increase employment as much as was

expected because employers failed to hire new men in place of the soldiers drawn from industry, but as the tempo of war increased employment must have increased, too. But militaristic measures are no enduring means for relieving unemployment, and it appears that Fascism was not as successful as capitalism in recovering from the depression. In fact, it probably increased the difficulties or at least prolonged them.

Labor Supply. Italy's population was estimated to be 45,354,000 in 1941. (1) This would mean a density of over 371 persons to the square mile. Since barriers have been raised against emigration, the population is increasing steadily in spite of the fact that the birth rate has fallen from 30.7 per thousand in 1922 to 22.4 in 1936. However, the death rate has been reduced from 18.0 per thousand to 13.7 which compensates somewhat and which leaves a net increase of around 400,000 per year. (2) In a country as densely populated as Italy and one striving for self-sufficiency, these extra additions each year create a serious problem. Apparently Mussolini does not recognize the seriousness of it or else feels that it will aid his militaristic plans, for he has done everything he could to

(1) The World Almanac (New York, 1943), p. 194

(2) Ebenstein, W., Fascist Italy (New York, 1939), p. 132

increase the birth rate. (Perhaps his publicity for the battle of births reacted in an unexpected manner, for through it many of the poor peasants of Southern Italy learned for the first time that births could be controlled and were not just "God-given.")

Of the working population over ten years of age in 1939, 46.3% were engaged in agriculture or fishing, 30.4% in mining and quarrying, 8.37% in commerce, 4.6% in transport, and the remainder in miscellaneous tasks. It is interesting to note that of the 1,079,613 manufacturing firms, 720,006 are workshops run by craftsmen. (1) Business is on a small scale with possibly only 3% of the working population being gainfully employed in a factory exclusive of craftsmen's workshops. (2) These figures give one an idea of the Italian laborer and the difference between syndicates for such workers and unions for our industrial workers.

The Peasant

Ownership of Land. Nearly one-half of the working population is classified as engaged in agriculture or fishing--the simple rural life that Mussolini has always praised. Let us see how Fascism has affected them.

(1) Figures taken from The New International Year Book (New York, 1942), p. 298

(2) Loucks, W. N., and Hoot, J. W., Comparative Economic Systems (New York, 1938), p. 567

Before Fascism much of Italy's farm land was controlled by absentee ownership, the land being worked by share croppers, share tenants, or farm workers hired on a daily or yearly basis. Nevertheless, there were numerous small peasant proprietors. Their holdings were small, but their number was increasing steadily. When Fascism came into power, Mussolini made much talk about giving the land back to the peasants and increasing the private ownership of land. The reclamation projects were to aid in this same effort. Yet available figures do not show that this policy has been carried out. Italian census figures for 1936 show a decline of more than two millions of farm wage workers when compared with similar figures from the census of 1921. The number of operating owners, as listed in those same census figures, fell nearly three-fourths of a million. Since other data show an increase of peasant proprietorship during 1915-1926, one can only infer that serious elimination of the independent farmer occurred after 1926. (1)

The last time that the *Instituto Centrale di Statistica* published the distribution of agricultural land was in 1927, but even these figures show the concentration

(1) Schmidt, C. T., The Corporate State in Action (New York, 1939), p. 112

of proprietorship. The following table is taken from the official farm tax rolls of 1927 as given by the above-mentioned Institute:

	% of Farm Proprietors	% of Farm Land Held
Dwarf- and small-holders	87.3	13.2
Petty proprietors	9.3	18.5
Medium proprietors	2.9	26.4
Large proprietors	.5	41.9
	<u>100.0</u>	<u>100.0</u> (1)

Share Croppers. A further study of available figures shows that the number of "cash and share" tenants and share croppers had risen a million two hundred thousand in the 1936 census figures over those for 1921. This increase of share croppers is agreeable to the Fascist leaders for it tends to bind the workers to the soil and to prevent them from migrating to the cities. In fact, an effort has been made to pay farm workers in kind instead of cash as far as possible.

The Fascist leaders may be pleased but the peasant cannot be, for during the years that Fascism has been in control the contractual position of tenants has deteriorated and share tenancy agreements are less favorable to the peasants than similar contracts developed immediately after the World War. A. Marchini cites the important clauses of

(1) Schmidt, C. T., The Plough and the Sword (New York, 1938), p. 139

two contracts for share tenancy in the province of Bologna --one effective in 1920 and the other in 1929, the latter made by Fascist syndical authorities:

Management of farm
1920--subject to approval of two parties
1929--exclusively in hands of proprietor

Expenditures for fertilizer and insecticides
1920--borne by proprietor
1929--divided equally between tenant and proprietor

Farm animals
1920--provided by proprietor
1929--provided by both proprietor and tenant

Cost of maintaining dykes, ditches, drains
1920--borne by proprietor
1929--borne by tenant

Costs of transportation
1920--if for products belonging to the proprietor, then borne entirely by him; if for jointly owned products, then divided in the same proportion in which the products are shared.
1929--borne entirely by tenant

Division of products
1920--the tenant receives 60% of wheat, tobacco, sugar beets, tomatoes, beans, 60-65% of corn, 65% of chestnuts, 60-70% of grapes
1929--all products divided equally between the two parties, but premiums for unusually large production of tobacco, sugar beets, tomatoes, and beans are to be given to the tenant. (1)

(1) Ibid, p. 134

Effect of Battle of Wheat. Many Fascist policies have had a decided effect on the farmers. The battle of wheat made them turn from more suitable crops to the raising of wheat. The wheat tariff and the resultant high wheat prices have brought financial aid in general to the landlords and wealthier farmers only. The small proprietor raised about enough for his own needs, but had little or none to market. Many farmers had to give up much of their live stock in order to increase their wheat crop. This decline in live stock was felt very keenly among the poor peasants of Southern Italy whose goats suffered seriously. Since these goats have been called the "cows of the poor," one realizes their importance. Perhaps it seems odd that the peasants of Southern Italy would even try to raise wheat on their land, not at all suited for it. It was because they realized that unless they raised wheat they would have no bread, the staff of life.

Effect of Land Reclamation. Land reclamation projects have restored some lands to farmers. However, the cost has been enormous. Whenever the government feels that a reclamation project is going to improve the value of a peasant's land, that peasant must share much of the cost. Often these projects place the farmers in debt that they can ill afford. This must be, at times, quite annoying since a

small proprietor seldom has any say over a project. If the government decides his land should be improved, he has no right to object.

Enclosure of Lands. There have always been many poor peasants who owned a plot of land, which was so small that they could not support themselves on it. However, there were many so-called common lands where they could chop wood, put a little livestock to pasture, and even raise a few crops. Mr. Schmidt comments as follows:

These usi civici--legacies of feudal land tenure--existed in about half of the communes in Italy (being particularly prominent in the former Papal States and the southern provinces) and were an important source of income for thousands of small peasants. (1)

In this way they could eke out a living. But this custom was a source of irritation to the nominal proprietors as it tended to limit their authority and income and made the transfer of titles complicated. The Fascist government which supposedly was the greatest friend of the peasant adopted a policy of enclosing these lands; i. e., they gave the owners (in name only) of these private properties the right to keep people out. Abolishing this age-old custom worked a severe hardship on many peasants.

(1) Ibid, p. 136

Income of People

Reduced under Fascism. The income of most Italians has always been extremely low. Their present condition seems rather to be worse than to have improved under Fascism. Statistics are scarce except for some hourly rates, and these hourly rates do not help too much on account of the great unemployment from which Italy has suffered. One thing is certain; "wages are no longer determined by the free interaction of supply and demand forces under the bargaining pressure of workers and employers. They are set by the collective contracts through the Confederations as government agencies." (1)

After the stabilization of the lira in 1927 a rigorous policy of deflation was followed by the government to uphold it. All wages were reduced ten per cent in April, 1927, and another ten per cent in October, 1927. In December, 1930, came another general wage cut amounting to eight per cent in industry and twice as much in agriculture. October 31, 1931, saw another cut ranging up to twenty-five per cent, and still another occurred in April, 1934. (2) In addition to these there were many other unofficial

(1) Loucks, W. N., and Hoot, J. W., Comparative Economic Systems (New York, 1938), p. 591

(2) Above figures from Salvemini, G., Neither Liberty Nor Bread Edited by F. Keene (New York, 1940), p. 216

reductions, local in nature. Nearly every collective contract drawn up called for a wage reduction. At times rents and prices were reduced, too. However, in most cases, the wages were reduced proportionately more than the others, and sooner. Mr. Salvemini explains it as follows:

Every time a general cut in wages occurred, Mussolini or other leaders of the Fascist party announced a fresh "battle against the cost of living." But how could the cost of heating and of bread go down, if in 1930 an import duty of ten per cent ad velorem was put on coal in order to protect the hydroelectric industry, and if in 1932 the consumer had to pay one hundred lire for a quintal of wheat which might have been bought for forty-nine lire on the open market? How could the cost of living drop, if indirect taxation became more crushing?..... Someone had to pay this money. The consumer paid it. (1)

The hourly wage figures illustrate these reductions. In 1930 the average hourly pay of an industrial worker was 2 lire and in 1934 had declined to 1.66 lire; (the parity of the lira to the depreciated dollar is 8.9 cents). The hourly wage of a male agricultural laborer in 1930 was 1.49 lire and of a female 0.86 lire; in 1934 the figures had fallen to 1.13 and .66. (2) A comparison of these figures shows that the agricultural workers suffered the most since his rate was reduced much more severely.

(1) Ibid, p. 216

(2) Florinsky, M. T., Fascism and National Socialism (New York, 1936), p. 129

Family Allowances. Men with large families have been aided since August 21, 1936, by a system of special "family allowances." This decree provides that family allowances of four lire per week for each dependent child under fourteen years of age are to be paid to all workers in industry who are heads of families. (1) In December, 1936, and throughout 1937, this decree was extended to workers in commercial, credit, and insurance enterprises and to other occupational groups including, most recently, workers in agriculture. These allowances seem small, but they are a definite help to heads of large families who ordinarily earn a meagre wage.

Standard of living. Perhaps the most concrete evidence that I can give concerning the income of the people is that, according to official information, there has been a serious fall in quantity and quality of food consumed. Despite a measure of economic revival after the Ethiopian War the consumption of almost every common type of food-stuff in 1936-37 was below the levels of the 1920's. (2) Food of the poorer workers deteriorated cruelly. There was also a decline in the sales of tobacco, clothing, and furniture during 1928-1935. On the other hand, pawn shops

(1) Ibid, p. 242

(2) Schmidt, C. T., The Corporate State in Action (New York, 1939), p. 90

were very active. If one went off from the main tourists' roads, the housing and sanitary conditions became very poor. These conditions speak for the standard of living better than cold figures.

Comparative Standard of Living. Although it is difficult to compare the real income of one country with that of another due to differences in standards of living and living costs, still a comparison of per capita income in Italy and the United States for 1937 shows that Italy's per capita income was only about one-fourth or one-fifth of that of the United States. This is based on the generous estimate of 100 billion lire for the Italian national income or 5 1/4 billion dollars if the lira is valued at the exchange par of 5.26 cents. (1)

Of course all countries suffered during this period, but Fascism seems to have aggravated the condition through its policies. Since 1935 prices have been increasing constantly due to the general upward movement in world prices, the Ethiopian War, the sanctions and the devaluation of the currency in 1936, but wages have not risen so rapidly although a general wage and salary increase was decreed by the Central Corporative Committee to take place on May 9, 1937. (2)

(1) Loucks, W. N., and Hoot, J. W., Comparative Economic Systems (New York, 1938), p. 567

(2) Welk, W. G., Fascist Economic Policy (Cambridge, 1938), p. 240

Advantages. Perhaps more important than money are some of the social benefits which Fascism has brought to the Italians and which the Fascist leaders consider as the social wage supplementing the monetary wage. The Italians are healthier than formerly because malaria has been reduced with the draining of many swamps. The physical education program among the youth and the better care of babies will certainly bring benefits to the Italians. There is also quite an elaborate system of insurance and aid to mothers, but in most cases the benefits appear greater on paper than in reality.

Leisure. With the reduction of the work week to forty hours in many industries, Italians found that they had much more leisure time than formerly. It is in the use of this leisure that the Fascist system has made the greatest strides.

Throughout every community in Italy there is a branch of the organization known as the Opera Nazionale Dopolavoro, or National Leisure Hours Institution. Any Italian worker may join but probably only about twenty per cent are members. (1) This Dopolavoro provides all types of leisure time activities--cultural, educational, physical

(1) Loucks, W. N., and Hoot, J. W., Comparative Economic Systems (New York, 1938), p. 590

training, and social activities. It establishes both permanent and mobile libraries; it holds classes in technical training; it organizes bands, theatricals, radio programs, and moving picture programs; and it sponsors hikes, excursions, and mass calisthenics. Sports are made the only live interest in which the Italians can indulge. Here they are encouraged to throw their enthusiasm. Passion for sports is fostered by the government, for through an interest in sports the people can be prevented from indulging in less innocent preoccupations. Especially is this true among students, the Fascists having the express purpose of "'distracting young minds from too serious thoughts.' Such enforced distraction is favored in a thousand ways, e. g., by the construction of stadia and by granting examination privileges." (1) But only government-controlled sports are permitted. Uncontrolled sports activity is forbidden. "Sports activity is thus turned to serve governmental ends in the fields of police, propaganda, and prestige." (2)

The Dopolavoro promotes health, also, and works for disease prevention. Its members receive reduced fares on trains, reduced theatre tickets, cheaper prices for food, and other benefits. These activities, or social wages,

(1) Bianchi, E., Neither Liberty Nor Bread Edited by F. Keene (New York, 1940), p. 153

(2) Ibid, p. 152

make leisure pleasant, but they also afford the Fascists a wonderful opportunity for dispensing propaganda. The differences between the classes are slowly diminishing since the Dopolavoro tends to make all forms of leisure activity available to all classes. Fine as this whole program is, it lacks the spontaneousness of clubs in democratic countries. No group can organize a club of his own if there is any chance of its developing into an anti-Fascist group.

Youth Program. The Italian youth have not been overlooked in this leisure program. At the age of six the children are taken into Wolf Clubs. At eight they are transferred to the Balilla and at fourteen to the Avanguardisti. Girls are taught that their duty is to become mothers and have families. Military preparations are behind the boys' clubs. Both boys and girls receive much instruction in Fascist doctrines and knowledge. However, a large part of the program is recreational including many athletic sports, hikes, and drills.

National Pride. Another asset for the Italian has been his increased pride in his country. He is glad to be an Italian. Mussolini has glorified war so that the people--through the decade of the thirties at least--were proud of the militaristic attitude of the government even

though this involved sacrifices. (I doubt if they are as pleased about it now.) They were proud to win the Battle of Wheat though here again were sacrifices. Costly land reclamation projects have brought prestige and decreased malaria. A not surprising accompaniment to this pride in Italy has been the concerted effort to improve unsatisfactory living conditions, epidemic disease, and to reduce illiteracy. Education is now compulsory for all Italians, but the quality of it varies greatly. Rural districts may have only four or five years while urban education may extend through high school. The sacrifices which the people of Italy have made for the glory of the State would not have been made so willingly but for the almost religious fervor which Mussolini has aroused in them.

Capital

Sources of New Capital. Mussolini has a constant need for new capital to finance his public works, military program, and subsidization of worthy concerns. Some comes from the capital of savings banks, insurance companies, and benevolent institutions, but much has to come from government credit. Mr. Schmidt estimates that the State was taking during the thirties at least one-fourth of the national savings, much of which it was using unproductively. (1) For

(1) Schmidt, C. T., The Corporate State in Action (New York, 1939), p. 146

instance, all the money spent on conquering Ethiopia was certainly not productive. Such a country as Italy which has a relatively small per capita wealth cannot afford this loss of capital through non-productive enterprises.

Control of Expansion. Whatever new capital the government does not absorb, at least it directs its flow. This is achieved through control of industrial expansion. Since 1933 one cannot erect new industrial plants or expand old ones without the consent of the Ministry of Corporations. "In the first three months of 1934 a total of 102 applications were received. Of these 68 were approved, 25 refused, and decisions postponed on 9." (1) The government is thus able to forbid the erection of factories that might threaten the profits of going concerns or that do not seem to meet the needs of the Fascist State.

Taxation. Needless to say the Corporate State cannot be maintained without heavy taxation. In this the Fascists excell, for they seem to be able to get more taxes out of people than other countries. After the Ethiopian War it was estimated that thirty-five per cent of the people's income went into taxes, and now it must be much higher.

(1) Loucks, W. N., and Hoot, J. W., Comparative Economic Systems (New York, 1938), p. 575

There are several distinctive Fascist contributions to the fiscal system. According to Mr. Schneider they are:

1. the abolition or reduction of the socialistic taxes on capital and inheritances, though the equivalent of some of them have been restored recently--notably the ten per cent on dividends.
2. the tax on bachelors.
3. the protectionist use of tariff duties.
4. the syndical dues.

Taxes are of three kinds:

1. fees for specific services
2. imposts
3. income from state monopolies and lotteries. (1)

The income of the government in 1933-34 from fees for legalizing certain transactions and services, as sales, contracts, rents, registrations, deeds, and the like, was 3,410 million lire; the income from imposts of direct taxes on property 4,538 millions of lire, and of indirect taxes on consumption (including sales taxes) 4,554 million lire; the income from government monopolies and lotteries, 3,471 million lire. (2)

Taxes on Bachelors. It is of interest to glance at a few of the specific taxes. The tax on bachelors is 100 lire a year. At the same time their income taxes as

(1) Schneider, H. W., The Fascist Government of Italy (New York, 1936), p. 62

(2) *Ibid.*, p. 67

well as those of men having only small families are much larger than those of men having large families. I have mentioned the so-called family allowance. The source of this fund is a contribution of one per cent of the weekly wage of workers, two and five-tenths per cent of the weekly payroll of employers, and .50 lire from the State for each weekly allowance paid. (1) This along with the indirect taxes involved in giving money and benefits to newly married couples and babies amounts to quite a sizeable tax on single men.

Land Tax. After the devaluation of the lira in 1936, the government passed a decree making it compulsory for all real estate owners to subscribe to a five per cent loan redeemable in twenty-five years. They were required to subscribe not less than five per cent of their properties. (2) In order to pay for servicing and redeeming this loan, they had to pay also an annual three and five-tenths per mil tax on the capital value of their properties. This tax was specifically decreed to consolidate the East Africa victory and guarantee national security. One mustn't forget the tax in workers that all farmers had to pay, too.

(1) Welk, W. G., Fascist Economic Policy (Cambridge, 1938),

p. 242

(2) Ibid, p. 228

Securities Tax. The year before the passing of the land tax the government had compelled all holders of foreign securities to convert them into government bonds. It had taxed the holders of other bonds ten per cent and limited dividends to not more than six per cent. Any excess profits had to be invested in State bonds. Likewise, a prohibition was placed on the export of Italian currency and securities.

Capital Stock Tax. In 1937 a ten per cent capital levy was imposed on the capital stock and reserves of Italian Corporations. It was permitted to be paid over the period from March, 1938, to June, 1940, in fifteen installments. These companies, if capitalized at more than 10,000,000 lire, could pay half this tax by yielding part of their shares to the government. This would give the government a five per cent interest in the business. (1) It was at this time that the Fascists expropriated the business holdings and major real estate of Italian Jews.

Consumption Taxes. An article in Fortune describes the consumption taxes as follows:

Like most Latin countries, Italy stresses consumption taxes; almost half of the total in 1932-1933 was derived from these indirect levies on everything under the sun (customs duties, sales tax, tobacco

(1) New York Times, October 30, 1937

and salt taxes, match monopoly, etc.). In other words, almost half of the revenue came from blanket taxes which threw practically their entire weight on the Italian masses. Technically no better tax has been devised to supply a government with a steady annual income. These taxes exact tribute from your guitar, your donkey harness, the rug on your farmhouse floor. (1)

Income Tax. Likewise, the income tax hits hardest those in the lowest brackets. The wealthy are more fortunate than in many countries, for the highest effective income tax is only about twenty-five per cent. This policy keeps the investing class happy but puts the chief tax burden on the masses. This is one of the reasons Mussolini is accused of favoring the capitalists.

The Budget. Due to the Italian government's accounting system, it is difficult to understand the budget and national debt completely. Mussolini has always wanted a balanced budget. He was successful in this at first, but by 1930 the deficits had begun to reappear. Then came a serious curtailment of revenue, an increased public works program, and military preparations, and the realization that taxes must be boosted even higher. Many of the taxes I have just mentioned came into being at this time. These steps together with reductions in the ordinary budget made

(1) Fortune, Volume X, Number 1 (1934), p. 74

it possible for the budget to show a small surplus again in some years, but deficits are again customary. The budget figures do not include war expenses and some public works expense so that the figures are meaningless. When one realizes that in 1937-38 Italy probably spent 4,000,000,000 lire for the development of Ethiopia alone, it becomes evident that the omission of such figures from the budget make the latter entirely unreliable. The Fascists consider such items as capital investments of the nation.

For example, the official budget figures for 1940-41 were estimated receipts of 31,297,124,609 lire and estimated expenditures of 36,530,250,996 lire. (1) This left a small deficit--officially. "The report of the Minister of Finance, Count Paolo Thaon de Revel, to the Chamber of Fasces and Corporations stated that with receipts of 31,000,000,000 lire and expenditures of 96,000,000,000 in 1940-41, the deficit would be about 65,000,000,000 lire." (2) This latter figure is probably the true figure, including war expenses, and not the adjusted deficit given above.

Internal Debt. The internal debt of Italy was about 93,000,000,000 lire in 1922. By the middle of the

(1) World Almanac (New York, 1941), p. 245

(2) Lingalbach, A. L., Current History (New York, December, 1941), p. 450

thirty's it had risen about 12,000,000,000 lire according to available data. However, the Italian government's complex accounting system makes it difficult to compare the statistical data regarding the national debt. The increase in the national debt, just mentioned, would seem to be very small for a period of depression, public works, and military preparation. A partial explanation is that annuities are issued to pay government expenses and public works projects.

Mr. Westermeyer estimates their value as follows:

On February 28, 1933, the government had annuities outstanding to the amount of 74,315,000,000 lire, which were to be paid off in installments running until the year 1986-87. The present capital value of these annuities has been estimated at approximately 35 billion lire. (1)

This certainly increases the debt and places a heavy burden on the budget for years to come. The public debt must be substantial also since the government has been floating sizeable bond issues in conjunction with the war finance. In addition there is the "floating" debt of short term credits. Then the debts of the government-owned post office, telephone, and telegraph offices should be included. All told Italy's internal debt is heavy. It is probably equal to one-third the national wealth and twice the national income. (2)

(1) Westermeyer, R. E., Modern Economic and Social System (New York, 1940), p. 407

(2) New York Times, October 20, 1937

Foreign Debt. Italy's small foreign debt is one of the strongest features of her financing. Excluding her World War debts, which she has not paid since 1932, her chief indebtedness is the balance of a \$100,000,000 loan floated in the United States after the war. This is known as the "Morgan" loan. It is at 7%. Floated in 1926, it has been reduced to around \$80,000,000. There is a very small portion of an old sterling loan of 1861 still outstanding, also.

Stabilization of the Lira. In December, 1937, Mussolini stabilized the lira on a gold basis at 19. It had been falling constantly until it had reached 31.6 to the dollar. The stabilization was effected by means of a foreign credit of \$125,000,000. Mussolini pledged that he would never let it collapse again, but he did not foresee the depression, war financing, and general world conditions. Eventually in 1936 he reduced the gold content of the lira 41%.

The stabilization of the lira in 1927 followed a period of rapid expansion and ushered in a period of serious deflation, unemployment, and suffering. Industries working for the export trade suffered a rapid loss in their foreign markets due to higher export prices. Then the industries

which had expanded suffered heavily and used up much of their capital reserve long before the world wide depression. The government tried to aid with reductions in wages, rents, interest, and taxes but did not change its policy. Consequently, Italy had suffered greatly even before the depression. With the coming of the depression, foreign trade suffered even more since a given amount of currency would buy more from Italy's chief competitor, France.

Devaluation of the Lira. Mussolini had made quite a point of stabilizing the lira--so much so that he was loathe to reduce it even though, in consideration of reductions in the gold content of other currencies, it was logical. But he feared his prestige would suffer. However, late in 1936 Mussolini did follow the other countries' lead and officially reduced it. I say "officially" for a bootleg lira had been selling abroad at about the same reduction as he made. There had also been a tourist's lira which was offered at a discount. This devaluation was naturally inflationary, particularly coming as it did in a period when goods were scarce in many lines due to sanctions and the Ethiopian War. To prevent a rise in domestic prices and consequent widespread wage adjustments, stringent measures were passed to keep the cost of living down, price fixing and a two-year freezing of rents being samples. In

spite of this the cost of living did rise somewhat, and there were wage adjustments as I have previously mentioned.

Natural Resources

Water Power. Italy's natural resources, as I have said, are rather meagre. Let us consider for a moment how Fascism has affected them. I have called attention to the fact that much of Italy's new capital is being used unproductively--a loss she cannot afford. Is Italy as extravagant with her natural resources? Perhaps one of her most important achievements is the harnessing of her lakes and rivers to produce electricity. Suffering as she does from a lack of coal, electricity is of great value. In 1925 she produced only 6.9 billions of kilowatt hours, but by 1937 she was producing 14.4 billions of kilowatt hours. (1) She has electrified much of her railroad lines and is using hydroelectric power for many of her industries. This development of her rivers and lakes is especially valuable because Italy can thus eliminate some of her importation of coal.

Self-sufficiency. The Battle of Wheat had varying results. It necessitated the production of wheat beyond the point of diminishing returns up to that of maximum productivity. The land, in many cases, could have been used

(1) Welk, W. G., Fascist Economic Policy (Cambridge, 1938), p. 200

much more profitably for other products. This demand for wheat, however, did have some good results in that farmers were taught how to get the maximum crop from one unit of land. Agricultural education has been fostered through schools, research stations, and lectures. The new knowledge was intended primarily for the Battle of Wheat and little progress seems to have been made in the other branches of agriculture. Still any improved methods of agriculture will tend to make the land of Italy more valuable to the owners.

In 1923 an act was passed providing for the preservation and extension of national forests.

The fight for self-sufficiency has demanded the fullest exploitation of most of her resources. Coal is being mined which previously was considered unprofitable. All kinds of substitute materials are being made out of available materials. The pressure of war is making Italy use up some of her few metals much faster than normal so that it will hasten their exhaustion. A country with so few resources cannot afford to waste them on armaments.

Reclamation. Fascism made land reclamation a real cornerstone of the agricultural program. However, land reclamation had been going on in Italy for years prior to the advent of Fascism. But the Fascists undertook it on

a grander scale. The Mussolini Act of December 24, 1928, authorized a financial plan for the ambitious program. "A total of 7,000,000,000 lire was to be expended over a period of 14 years, 4,350,000,000 to be advanced by the government and 2,650,000,000 by the landowners." (1) Although figures are given showing how much has been accomplished, they mean little since much that is in process is no further along than on blueprints, and some that has been completed was started prior to 1922. Some of the projects undertaken have been for political reasons rather than economic ones. Thus, while they have added prestige to the Fascists, they have not helped the peasant much.

Results of Ethiopian Campaign. Ethiopia was supposed to increase Italy's resources and give a place for Italians to colonize. In the short time that Italy controlled it, it was only an expense. It did not seem to be a country in which Italians would live happily. In fact, it appeared that native labor would have to do much of the work. Exports from Ethiopia fell off while the Army of occupation necessitated a constant supply of goods from Italy. This campaign put a terrific strain on Italy's resources and gained nothing permanent.

(1) Schmidt, C. T., The Plough and the Sword (New York, 1938), p. 80

Business Enterprise

Cooperation with Fascism. The business enter-
priser was apparently left to himself at first. Even under
the collective contracts the businessman seems to have had
more than his share of the say. For this reason he was glad
to cooperate with Fascism. Gradually, he got so indebted
to Fascism and mixed up with it that he had to support
Fascism whether he wished to or not. For instance, many
"voluntary" contributions must be donated to the Party along
with the compulsory levies. At the same time the Government
kept encroaching more and more on private enterprise until
the definite union of the economic and political organiza-
tion of the country into the corporations gave the State
sufficient control so that now she can intervene in all
enterprise as much as she desires.

Monopolistic Features. Fascism seems to favor
large business concerns over small enterprises. This led
to the formation of many combinations and agreements among
big business so that markets could be shared, production
costs reduced, prices fixed, and sales syndicates estab-
lished. Informal agreements were made to prevent competi-
tive practices. Fascist authorities seemed to approve of
all this, for they would not give a permit to establish a

new concern if they thought it would cause too much competition for one of its favorites.

Many cartels have been formed, especially in the years 1935-1939. These cartels may be compulsory totalitarian, compulsory but not totalitarian, and voluntary. In the first group all firms in an industry are ordered to form a cartel by government order. In the second group only certain firms are ordered to form a cartel. These cartels may be organized as regular stock corporations or merely as central administrative committees. These cartels are "frequently established with a view to exerting monopolistic influence on a market through the coordination of production and distribution of a certain product." (1) The reason for the great increase after 1935 was to get raw materials and combat the raw material shortage. Cartels have been formed in iron and steel, chemical, cement, railway equipment, rayon, and other industries.

Mr. Pitigliani calls attention to one result of the formation of cartels. He says:

The formation of cartels among such a large percentage of Italian industries was, of course, a serious blow to independent wholesalers and brokers,

(1) Pitigliani, F. R., The Journal of Political Economy (Chicago, June, 1940), p. 398

whose functions were taken over to an increasing extent, by the centralized sales offices of the cartels. They tried to unite and form selling-offices but only were successful in a few cases. (1)

These men are not the only ones who have suffered from the monopolistic policies. The small enterprises are gradually being squeezed out. "In 1922 the 100 largest non-financial corporations owned less than a third of all non-financial corporate assets; by 1936, the 100 largest firms (a mere one-half of one per cent of all joint stock firms) owned almost half of such assets." (2)

The small businessmen are allowed to make what profits they can, but they are not guaranteed a minimum of profit as some of the larger concerns are. The concerns producing for private consumption fare badly, especially those who have no "pull." There have been many more failures than would have been normal for this period. However, for the most part, the small businessman has been left to his own devices.

Extent of Government Supervision. Big business is still owned by the stockholders, but the government has acquired enough stock in many of them to have decision-making powers. Where it hasn't, it intervenes openly.

(1) Ibid, p. 391

(2) Schmidt, C. T., American Economic Review (Evanston, Illinois, March, 1940), p. 82

Mr. Schmidt says, "....that political centralization of economic controls in recent years has come to overshadow the significance of authority resting a formal ownership." (1) Naturally, corporations necessary for a self-sufficiency program or for military preparations are the most likely to receive this intervention. Although the boards of directors can fix dividends, the latter are quite well regulated through a series of progressive taxes. The government prefers that surpluses be accumulated and that dividends be kept at a steady level to help prevent stock fluctuations which might be caused by occasional large dividends. For instance, after the devaluation of the lira in 1936, distribution of "active balances" of corporations due to increased plant values was forbidden. As the government began to intervene, it saw the necessity for control over whole industries. It was then that "Institutes," the precursors of the corporations were formed.

Industrial Reconstruction Institute. One of these Institutes, the Industrial Reconstruction Institute, is somewhat similar to the Reconstruction Finance Corporation in the United States. It is by means of this Institute that much of the control of the economic system has passed from the businessman to the Italian government. It devotes itself to reorganizing industry. Unsound firms or firms

(1) Ibid, p. 82

judged unnecessary to the nation are liquidated, the capitalization of overcapitalized concerns is written down, and concerns deemed worthy or of value to the government may be given long-term loans financed through the issuance of government-guaranteed bonds. This Institute opens up the field of industrial credit to the government. An illustration of its workings is the case of the Piedmont Hydroelectric Company. Its capital was reduced from \$67,000,000 to \$27,000,000. The company was divided into three separate companies with the government guaranteeing a bond issue of one of the companies.

Production and Distribution of Goods

Secondary Nature of Distribution. Mr. Schneider sums up Italy's attitude toward production and distribution as follows:

The approach to economic problems is still "productivistic," the assumption being that unremitting labor and increased production are the essentials of prosperity. The problems of distribution are secondary. With few exceptions, the policy is to find or create markets for the nation's products, not to curtail production to existing markets. This implies a primary emphasis on stimulating consumption or exportation. (1)

(1) Schneider, H. W., The Fascist Government of Italy (New York, 1936), p. 126

The placing of so little importance on distribution has its repercussions on the Italian people whenever there is a shortage of any article. The last few years have seen the Italians going without some of their favorite foods.

Anna Lingalbach says in an article in Current History, "Apparent scarcity of food at times is often due to ineffective transportation and distribution." (1)

Since Italy's people have such a low standard of living and such meagre wages, they do not have sufficient purchasing power to create much of a home market for industrial products. Since production is so important, some market must be found for the goods. This leads to imperialism.

Comparative Figures on Production. It is of interest to note some of the goods produced in Italy. Following are comparative figures for some of the common staples of life:

1000 bu.	1931-35 (ave.)	1939	1940
Wheat (a)	267,140	293,285	260,880 (b)
Rye	6,281	5,950	5,998
Barley	10,300	10,816	10,056
Oats	38,015	37,690	39,318
Corn	104,528	101,661	135,006
Potatoes	88,524	102,155	121,211

(1) Lingalbach, A. L., Current History (New York, December, 1941), p. 451

1000 lbs.	1931-35 (ave.)	1939	1940
Rice	1,507,320	1,680,448	1,853,350
Tomatoes	1,818,354	1,931,318	2,444,813
1000 met. tons			
Sugar beets	2,418	2,671	5,200

(a) The wheat crop reached a record high of 297,317,000 bushels in 1938 and was nearly as large in 1937. Unfavorable weather was primarily responsible for the decline in 1940.

(b) This figure is from an Italian press item of September 28, 1941. It said that the 1941 crop amounted to only 262,717,000 bushels, the 1940 and 1941 crops being the smallest since the beginning of the battle of grain. (1)

Production of some industrial products are given below:

1000 tons	1927	1934	1937
Iron and Steel	1,721.8	1,932.8	2,186.9
Perphosphates	1,371.5	1,090.6	1,333.2
Sulphuric Acid	820.0	1,238.7	1,642.1
1000 kg.			
Raw Silk	5,009.8	3,124.0	2,861.0
Rayon	24,406	51,047	124,388.0
Cotton Yarn	?	173.1	---
Cotton Cloth	116.0	83.5	---

These figures show progress in the metallurgical, chemical, and textile industries under Fascism. Especially is the growth of rayon remarkable. The present war has undoubtedly made a considerable change in Italy's production. Armaments and materials for the war effort must have superceded all other forms of production.

(1) New International Year Book (New York, 1942), p. 298

(2) Welk, W. G., Fascist Economic Policy (Cambridge, 1938), p. 198

Bank System

Fascist Control. Business enterprises depend considerably on the banks for financing production. Here again we see the gradual encroachment of government power. I have mentioned that the Fascist Government now owns one of the biggest Italian hydroelectric companies. It also owns most of the shipping and many other high grade concerns. In addition, it has some control over the entire industrial structure. This control is secured by controlling investment banking. One can get long-term financing only from one of the State credit institutions.

A number of these credit agencies were established or enlarged to operate in special fields, notably the financing of public utilities, agricultural reclamation, public works projects, shipping and ship building. These government-controlled associations provided loans and issued bonds supported by the government. Carl Schmidt says, "Their function was to cover private losses with governmental subventions. This was socialization of a kind, a socialization of business losses and risk." (1) I have mentioned previously the *Instituto per la Ricostruzione Industriale*, or Industrial Reconstruction Institute, set up in 1933. There is another one of equal importance.

(1) Schmidt, C. T., The Corporate State in Action (New York, 1939), p. 136

Italian Share Institute. The Industrial Reconstruction Institute makes long-term financing, but for medium-term financing there is the Instituto Mobilaire Italiano or Italian Share Institute. This Institute is authorized to invest in industrial stocks and to make loans up to a total of five billion lire for periods of not more than ten years. It was founded to save the banks and to liquidate their frozen assets. The banks had invested heavily in industrial stock, and the period of deflation in the early thirties placed them in a difficult position. The great Banca Commerciale Italiana had five billion lire, mostly in overextended steel, chemical, and shipping companies. These stocks were quite unstable and probably were worth only two billion lire. The Italian Share Institute took over most of these stocks, paying a fixed value, while the bank took a fixed amount of the Institute's bonds. Confidence in both banks and industries was thus strengthened. The funds for the Italian Share Institute are raised by issuing three classes of securities partly against the industrial stocks it holds and partly guaranteed by the State. This Institute is an example of the support of private credit by means of government credit. This use of Mussolini's credit behind every enterprise which he wanted

to keep in existence during the depression is well summed up in a quotation from Fortune:

It began with the banks. In order to rescue them Mussolini took over their heavy portfolios of industrial stocks and bonds. Whether (as in the case of shipping) he chose to keep possession of an industry and operate it by the State or whether (as in the case of steel) he chose to reorganize the industry and send it back to "private" management and the investing public via State-guaranteed bonds makes little difference here. The fact is that today the government is sole investment banker and that, on top of having a large part of organized industry in the direct possession of the State, Mussolini now has practically all organized labor under his thumb through his control of credit. He can plan well or he can plan badly, but plan he must through the flow of credit. (1)

Unification of Banks. Still further reforms seemed necessary, however, and in 1936 the banking system was completely reorganized. On March 1, 1936, the government unified the banking structure by placing it under the important Bank of Italy and giving the latter comprehensive powers. Thereafter, the Bank of Italy became a "banker's bank," holding a position similar to that occupied by our Federal Reserve System. Over this bank and all others was placed a government board or office of inspection to supervise. It has to supervise the issue of bonds and shares

(1) Fortune, Volume X, Number 1 (1934), p.

whenever offered for sale by a credit institution, to authorize the listings of all stocks and bonds on the stock exchange, and to control interest rates and the extension of long- and short-term credit. The Bank of Italy has to confine its rediscount operations to banks. Its private shareholders were replaced by the country's savings and insurance companies. The three largest private banks were changed into public institutions whose stock has to be registered and can be owned only by Italian citizens or firms.

Thus the government became the active supplier of loan funds in capital markets as private banks were practically eliminated from direct participation in industrial and long-term financing. At the same time the government was the important customer of many firms.

Gold Holdings. Italy suffered heavy gold losses during the depression with the falling off of her export trade. In 1935 she suspended the forty per cent legal minimum of bank notes. The Bank of Italy reported on April 30, 1937 that it had holdings of 4,022,000,000 lire in gold. This represented a decline of one-third since 1934 in spite of Mussolini's efforts to keep the gold within the country. As there were 15,600,000,000 of bank notes

outstanding, it gave a reserve of about twenty-five per cent for them. (1)

Control of Prices

Early Regulations. In a capitalistic economy prices are fixed by the independent action of buyers and sellers. Fascism followed this theory at first with now and then some intervention by the government or the Fascist Party to keep prices at a certain level. Wheat prices were regulated somewhat during the Battle for Wheat by means of heavy protective tariffs and import restrictions. Then came the Ethiopian War and the first definite steps toward price control.

The sanctions imposed upon Italy would have had a much more serious effect but for certain governmental controls likewise imposed on the people. One of these regulations was a strict system of price control which extended to most commodities having a wide popular consumption. Prices necessarily rose during the Ethiopian War, and after it was over the governmental checks still were continued. Then came the devaluation of the lira in 1936. The government feared rising prices and attempted to regulate the retail prices of a number of staples. It was at this time

(1) Figures in this paragraph are taken from Loucks, W. N., and Hoot, J. W., Comparative Economic Systems (New York, 1938), p. 571

that other regulations were passed to keep the cost of living down--such as the two-year rent ceiling.

Expansion of Price Control. So far all price fixing had been as a result of an emergency and as the result of political influence or governmental regulation. But as Italy did not seem to be going to be rid of national emergencies and as government intervention tends to increase rather than decrease, a complete program of price control was set up.

It is here that we see the "Corporate State" beginning to function. On April 28, 1937, a decree was passed which gave the Central Corporate Committee the power to control commodity prices. This committee took charge of price fixing now in place of the Central Price Committee. By working through the corporations control could start right at the beginning of a cycle of production and cover everything including the final retail price. But the corporations can do more than just fix prices; they watch out for abnormalities. If there is a surplus of some article, they help the producer dispose of it so that he can still make a profit without disturbing its price. Delays in bringing food to market are studied and prevented if there is danger that they will cause price fluctuations.

To steady the market, a constant eye is kept on the quantity of goods so that production of a scarce product is encouraged or resort is made to importation. The corporations were given the authority over wage rates, plant expansion, and anything else that was necessary to control production.

Thus, we have the corporations in action, showing the collective action of the Corporate State working for a collective national purpose. How successful they have been is hard to estimate with the scant news from Italy, but it appears to be the beginning of an economy where nearly everything will be planned or regulated.

Foreign Trade and Policy

Early Foreign Relations. Italy followed a liberal foreign trade policy during the early years of Fascism. A country with so few basic natural resources and which had to import raw materials could not expect the exports and imports to balance. However, this excess of imports was fairly well balanced by four invisible items of trade on the export side: (1) freight and shipping services, (2) tourist trade, (3) emigrant remittances, and (4) loans abroad.

Effect of Fascist Policies. Three Fascist policies were adopted in the twenty's which had a far-reaching effect on this balance of trade. Mussolini's Battle of Wheat was

inaugurated to make Italy independent of the large grain importations that had been necessary previously. In this he was successful, but the price he paid was high. Italians ceased producing many products in quantities sufficient for exporting in order that the land might be used for wheat. Spain saw its opportunity and gained the export market of vegetables and fruits. The second policy, that of the stabilizing the lira, might not have had an ill effect but for the fact that Mussolini stabilized it at too high a figure. This tended to reduce the tourist trade, especially during the depression. The third policy, the Battle of Births and the restrictions on emigration, caused the need for more goods to be imported into Italy. Also, the restrictions on emigrations decreased the emigrant remittances. So even fairly early in the Fascist regime, three definite policies were pursued which tended to increase Italy's difficult position in the world trade.

Effects of the Depression. Then the depression set in and most countries made certain restrictions concerning their trade agreements. Italy's invisible items declined still further. Mussolini inaugurated a system of import quotas and restrictions to counteract the unfavorable position in which Italy found herself. After April, 1934, no one could import wool, copper, oil seeds, or

coffee without having a special import license. A bit later a regulation was passed making it compulsory for exporters to sell to a National Foreign Exchange Institute all the foreign exchange they received or foreign credits granted them. Persons were not allowed to take but a small amount of money with them if they left the country. Reciprocal trade treaties based on mutual compensation agreements were concluded with seventeen countries.

Sanctions. Gradually the number and variety of goods whose importation was restricted or controlled grew. When sanctions were applied against Italy in November, 1935, the blow was greatly reduced because Italy had such a stringent control over imports that it was not so difficult to do without a few more. This reduction of imports would seem to be of value to Italy's trade balance, but exports naturally declined, too, under sanctions. "Thus while during the sanctions Italian exports were reduced by forty-four per cent, imports were reduced by only twenty-five per cent." (1)

Sanctions added fuel to Mussolini's desire for self-sufficiency, but a country like Italy which has so little to work with cannot isolate itself easily. When in

(1) Welk, W. G., Fascist Economic Policy (Cambridge, 1938), p. 210

1936 the lira was devaluated, Mussolini decided to reduce certain tariffs and make some new trade treaties. This had a stimulating effect on foreign trade, but foreign trade is still closely regulated and not left to the control of the traditional tariff system.

Foreign Policies. So much for the foreign trade, but what about the foreign policies in general? Here the Fascist regime seems definitely at fault. From the beginning their policy was one of territorial expansion. Some may excuse this and say that territorial expansion was justified, for their country was crowded and they didn't receive all they had hoped for after the World War. They will say that Italy is certainly one of the "have not" countries, and distributive equity, if not international law, justify Fascism's seizing Ethiopia. Mussolini rationalized that Italy must have raw materials and a place for her people to settle as farmers. In his opinion conquest was the only answer to this insoluble problem.

Delving deeper we find flaws in these reasons. At the present time Africa does not seem to have a particularly high output of raw materials. And the idea that Italy could thrive off the direct exploitation of such a colony as Ethiopia is not borne out by any other such African colonies.

As for colonizing it, Ethiopia does not have a climate suitable for Italians any more than the neighboring Italian colony of Eritrea. It is seven to ten thousand feet above sea level with treacherous vicissitudes and thin air.

Furthermore, as Mr. Borgese says:

....no record of the League of Nations, no diplomatic negotiations, shows the Fascist Government anxious about securing outlets to the Italian overpopulation in the new worlds, since colonization in Asia and Africa was evidently chimeric...
...No other purpose of Fascism was, on the contrary, more resolute and consistent than the will to curb and throttle all migratory impulse in the Italian people. (1)

True, immigration quotas in the United States were low, but only one-half of the Italians allowed to enter this country came in due to checks imposed by Fascist Italy.

All Fascist policies can lead to only one thing--war and more war. In this purpose she has been successful, but the glory of this success must be like ashes, for what is there to be proud of in the devastation now sweeping the world?

Freedom of the People

The Press in General. It does not seem amiss to study for a bit how Fascism has affected the freedom of the

(1) Borgese, G. A., Goliath--The March of Fascism
(New York, 1938), p. 291

people. Strange though it may seem censorship of the press, as we think of it, did not develop immediately under Fascism. Something infinitely more successful and more effective did evolve though. A person was permitted to write anything he pleased, but Mussolini had the right to confiscate any issue of a magazine if it contained copy he didn't like. One could write a book with no restrictions imposed, but fear that it would be confiscated and all one's work be for nothing in addition to the expense of publishing the book was a powerful weapon. The result was that all writers, correspondents, and editors outdid themselves in flattery about the regime. "What they 'freely' gave could never have been extorted by means of compulsion from on high, and the working of fear proved far more productive than obedience to a command." (1)

This same method brought results in all of the fine arts.

Newspapers. Although newspapers are free to publish what they wish at the risk of confiscation, suggestions are made to them daily concerning the news and telling them which items to play up if they would please the government.

(1) Ibid, p. 272

Not that there is much danger of anti-Fascism among them, for, as Mr. Ascoli says:

The newspapermen, all organized into a Fascist union, were brought into line by the government control of their jobs. A system of closed shop was introduced in 1925 which gave to the leaders of the professional organization complete power to decide whether a journalist was to be admitted or excluded from newspaper work. (1)

So in reality the government is the news editor of the country. Officials justify this on the ground that an uncontrolled press is likely to be just a tool of private interests and intrigues. As a result the news that is published is meagre, and educated people, especially, have an insatiable curiosity for what is not printed.

Education. As for the educated, their number is growing smaller. By that I mean the truly educated. Compulsory education has been broadened in Italy, but it is used to inculcate Fascist principles. If a teacher fails in this, he loses his position. The enrollment in universities is small. The legal and medical colleges have the heaviest enrollment. Universities are no longer a place for free thinking. Students and teachers alike are more interested in defending, praising, and justifying the

(1) Ascoli, M., Neither Liberty Nor Bread, Edited by F. Keene, (New York, 1940), p. 112

regime than in criticising. In fact, university professors are required to take an oath of loyalty to the regime and to swear to instill Fascist ideals into the minds of students.

Political Lackeys. Since Fascism does not permit serious open disagreement with its policies, there is no opportunity to find real leaders--leaders who have ideas and who will fight for them. Some disagreement may be permitted among a few of the inmost circle, but even there, dissenters are likely to be removed soon. In nearly all cases, the Fascist officials are chosen from faithful party members among the lower ranks of the Fascist hierarchy. Thus conformity to Fascism is the secret to appointments and not because one has brains or technical ability. This will tend to reduce the quality of the Italian governing class, because the best men will never reach the posts wherein they could contribute most to the country.

Dependence of All. What may be one of the most serious results of Fascism in the lives of the Italians is the fact that planned and conscious supervision seems to be taking the place of individualism, freedom of enterprise, and competition. Children are trained from the age of six through Fascist organizations to follow orders, to submerge their inner souls to that of the group. Initiative and

originality are not valued as in the United States. Rather obedience and blind faith are to be prized. It isn't just the youth that are made to feel the encirclement of supervision. It has been said that:

....there is today in Italy no worker by hand or by brain, no landed proprietor or industrialist, who does not depend, even against his will, upon a professional union or organization. Nor is there any professional union or organization of workmen, industrialists, or contractors that does not depend upon one of the great national confederations which are managed and controlled by members of the Fascist Party. (1)

The right of free assembly is denied. Even the Catholic Church suffers though outwardly at peace with the State. For example, no longer can it train the children as it wishes for Mussolini says that the youth of the country are the State's.

Stifling of Originality. Fascism has developed in Italy either yes men or silence. This stereotyped thinking will eventually hinder any possibility of human advancement. The people cannot be enlightened through free discussion and argument. This lack of opportunity for honest criticism dulls the minds of leaders and does not stimulate

(1) Davis, Jerome, Contemporary Social Movements (New York, 1930), p. 474-475

creative thought. "In 1924, 10,387 patents for inventions were taken out by Italians; this figure fell to 3,991 in 1937." (1) Already one notices the lack of any valuable contribution to the arts. As time passes this lack of creative thought and originality will be felt more strongly and more strongly not only in the arts and technical progress but in all phases of economic life as well.

(1) Ebenstein, W., Fascist Italy (New York, 1939), p. 194

Part V

CONCLUSION

It is difficult to evaluate Fascism fairly, partly because information coming out of Italy has been meagre for several years and partly because the corporations have not been in existence long enough for one to judge accurately their importance. There is a definite feeling that one is not looking at the final economic form of Fascism in Italy, but merely a phase. This is in keeping with one of Fascism's strong points that the economic organization must fit the needs of the State. The present organization was formed by decrees and may be abolished by decrees if it fails.

However, certain points seem evident. The people do not seem to be any better off or as well off as prior to Fascism, except for the greater orderliness of the country and the much stronger nationalistic spirit and pride in Italy. But that is not surprising. When a nation is producing implements of war, it cannot be producing consumer goods at all normally.

Taxation has always been relatively high in Italy, but the Fascists have done nothing to alleviate this. Much money is needed to support the Fascist hierarchy and the military forces. When there is only one political party and no one is allowed to object to expenditures, there is bound to be much waste. The Party does not like to curtail

its powers, but must always be increasing them. Many expensive projects are undertaken just to gain prestige or to satisfy a whim. Constant changes in organization are likely to bring waste and bungling. It is easier to tax people when they cannot oppose the state's action than when taxes originate with the duly elected representatives of the people. The war has probably raised taxes to astounding levels.

Fascism has tried to glorify farming and the rural life and encouraged a movement to return to the land. Yet Mr. Schmidt says:

It has done little or nothing towards a solution of the basic problem of Italy's rural masses; the problem of backward techniques, low production, and resultant poverty. Above all, their welfare demands a removal of tariff barriers erected in the interests of industrial and landed property, an end to the enormous wastes of military display and imperial adventure, a complete reorganization of land tenure and taxation, and opportunity for emigration. (1)

The only way Italians at the present time are kept on the farms is through a system which really binds them to the soil.

(1) Schmidt, C. T., The Corporate State in Action (New York, 1939), p. 114

The elaborate system of syndicates is a means of subduing and controlling the workers and does not represent a system of true trade unions. The corporations are not independent organizations for controlling production, completely economic in nature. They are just tools for carrying out the wishes of the government. The cartels are more under governmental control than corporative control. The Italian government has stated that it intends to increase its supervision over all forms of cartels, possibly through a continuous supervision carried on by government officials.

Mr. Pitigliani comments thus:

Such a supervision will tend to strengthen the power of the political executive over industry, but it does not seem to be in line with the principle of self-discipline of the productive groups, which was supposed to be a pillar of the corporative theory. (1)

As one looks at the Fascist economic organization as a whole, it is evident that what has been known as free-enterprise capitalism has entirely disappeared. Italy is rapidly reaching complete government control. Mr. Miller writes as follows:

In the Corporate State the organs mainly responsible for trade are no longer the bank, the stock exchange, and the capital market; but, for the major part, the

(1) Pitigliani, F. R., The Journal of Political Economy (Chicago, June, 1940), p. 400

functions have been transferred to the central authorities, to the corporations, and the Enti di Privilegio that regulate the market by using complementary parts of the economy and the "solidarity of the classes," getting rid of the antique banking set-up and cutting out a number of intermediate dealers, markets, and commercial institutions, and that constitutes the "new order" in Fascist Italy. (1)

Private property still exists in many cases, but there has been so much intervention by the State and so many regulations that one has little say about it. And if capitalists have seemed to be favored so far, it has only been because it suited Mussolini's needs best to have it so. His policy may have changed already.

Fascism, as a form of government, has been no more able to provide a solution for the crises of capitalism and the world at large than any other form of government.

Rather, it perpetuates an inherently unstable set of economic institutions. It remains that the Fascist regime has given the worker a "higher social justice" curiously compounded of glowing praise, material impoverishment, and shattered hopes for freedom. 'With regard to labor,' a Blackshirt hierarchy has observed, 'Fascism is superbly revolutionary.....Fascism has always exalted labor in all its forms as the highest and noblest aspect of life.' (2)

(1) Miller, H. S., American Economic Review (Evanston, Illinois, September, 1940), p. 560

(2) Schmidt, C. T., The Corporate State in Action (New York, 1939), p. 96

Nevertheless, in spite of all the faults that we as Americans may see in it, Fascism is on the whole quite satisfactory to the Italians. They had never known the glories of real freedom nor ever been imbued with the spirit of democracy in spite of the fact that they had tried a democratic form of government prior to Mussolini. A rugged individualist's spirit would rebel or be quenched under Fascism. Fascists tell countries, like the United States, that they have much to learn from Fascism. This may be true in a negative sense. It is quite possible that the lesson to be learned from Fascism is not what to do, but what not to do, about our economic problems.

Appendix

FASCIST TRENDS IN THE UNITED STATES

Italy turned abruptly to Fascism, but a capitalistic democracy may reach the full meaning of Fascism gradually. What is the sequel that leads to Fascism? A capitalistic democracy, such as ours, starts out with a firm belief in free enterprise. Thus, in place of any number of regulatory laws, the supervision of the economic life of the people is left to the regulating effect resulting from the balanced self-interests of free competition. The political life has its checks and balances, too.

The first step in the sequel is when protectionism enters the picture. In most cases this is a concession by the electorate to some pressure group and not because of the work of humane and disinterested men. Tariff bills are a classic illustration of this, for probably every item in each schedule originated with some of the producers of the article protected by the duty. So tariffs represent the special interests of certain groups rather than the consolidated interests of all. After one group receives some "protection," others demand it. So gradually the government takes on more and more of the regulation of the economic life of the people.

Eventually this leads to a complete planned economy. It is supposed to be a planned economy, but what it succeeds in developing is planned thinking. When no decisions are left to the individuals,

mental destruction of the individual occurs. Granted, the lawmakers at first think they are making life a little more equitable. However, they thwart the usual type of planning found in free enterprise--that provided by such automatic regulations as the price mechanism, and the profit mechanism. Progress slows down since government bureaucracies oppose innovations and changes vastly more than an enterpriser who thinks he might gain more profit if he tries the innovation.

Dictatorship does not necessarily follow a planned economy, but it is probably the easiest course and the one most likely to be followed. Standardization of lives and lack of the strong individual spirit arouses a determined desire on the part of the populace for security. If there happens to be a dynamic leader who promises this security to them, they prefer to take their chances with him than to trust in the government bureaucracies and slow methods of governing which probably have long been promising security and equality for all, but which have never really provided that. With minds void of true reason, the people accept a dictator around whom they throw an aura of mysticism to strengthen their hope into belief that he will be infallible.

Where on this pathway is the United States? The United States was founded as a capitalistic democracy with

the principle of free enterprise paramount. However, as soon as the Constitution was ratified, a sort of protection on the part of the government arose. This took the form of the Tariff of 1789. Other measures followed, but there was so much room for expansion and such an abundance of natural resources that government intervention was not so aggressive as it might have been in an older and more established country. During this period the belief in the freedom of the individual and in free enterprise established firm roots in the minds of the people.

As we approach the past twenty years, we find that the country has occupied all of its territory and has industrialized at a rapid pace. In fact, such rapid progress has been made in scientific discoveries and inventions that civilization can scarcely catch its breath and keep in the race. But with all of this there have arisen many inequalities. We still have poverty, hardship, and depressions. Supposedly to make life a little more equitable the government has passed laws and regulations to protect groups that seem to be in need of it. This is gradually taking the shape of a planned economy, and I am not specifically thinking of war measures which are supposed to be emergency only.

Over nine per cent of our national wealth is invested in utilities in which competitive forces do not

determine the prices but in which government action controls them. Not only does the government regulate these, but there is an increasing tendency toward the outright ownership by the government of some public utilities.

Our federal government has been gathering more authority to itself from the decentralization of the state governments. We find this in stock market and banking regulations. Rapid communication has hastened this, for it has drawn us all closer together.

The depression affected all areas. National measures were needed to alleviate it, and the natural consequence has been that now the government is trying to prevent the maladjustments which may have contributed to it. Thus we have a planned economy of sorts--or in sections of our economy.

Mr. Moley lists some of the Acts producing this beginning in planned economy, as follows:

Through the Banking Act, investment banking was divorced from deposit banking and a deposit-insurance plan set up. But more significant still, a couple of long steps toward the unification of the state and national banking systems were authorized, and the Federal Reserve Board's activities were headed toward the exercise of credit control comparable to the monetary control F. D. R. had acquired.....

Through the revision of the powers of the R. F. C., the establishment of the Farm

Credit Administration and the Federal Home Owners Loan Act, the government of the United States was being made the greatest investment and mortgage banker in the world.

Through the Tennessee Valley Act, F. D. R. was not only carrying on a vast experiment in regional planning and conservation but fostering public competition with private utilities.

Through the Railroad Coordination Act, he was moving toward the establishment of a more unified transportation system.

Through his program for relief, he was giving sanction to the theory that the federal government must assure all its citizens a minimum livelihood.

Through the Securities Act, he was committing the government not only to restrict irresponsible securities promotion but to exert the beginning of control over the capital market.

Through the A. A. A. he was to conduct an enormous "experiment" in controlling agricultural surpluses..... But underlying this whole admittedly risky excursion into new politic-economic fields was the revolutionary assumption of public responsibility for the economic well-being of the thirty million farmers and farm dependents of the nation.

And finally, through the N. R. A.,..... he was experimenting with government control over concentrated economic power in the interests of the wage earner, the salary earner, the consumer, and the employer. (1)

(1) Moley, Raymond, After Seven Years (New York, 1939), pp. 193-194

With the beginning of this war and later our entry into it, our economy has been increasingly controlled. As it proceeds we will develop a planned economy which is going to be difficult to terminate after the war. The measures are emergency, and that is why I am not discussing them, but so deeply are they going into the lives of people that a return to any other type of economy will be difficult and take courage. It is at the conclusion of this war that the United States faces the crossroads--a return to freedom or a continuing down the path to dictatorship and Fascism.

There have been several governmental policies during the past few years which if continued to be pursued will be obstacles to any attempted return to freedom. One of these is our system of taxation. Recently it has been developing a taxation for social reform. By this I mean that our present method of taxation is not just to secure income, and, rather than promoting capital savings and the conservation of capital it is becoming impossible for savings to accumulate to the advantage of private enterprise and the country as a whole. Since one never knows how far the reform measures will go, uncertainty in business and industrial stagnation sets in. Private industry will not take the risks that are needed for progress, and so the government has to enlarge its own planning and regulation.

Second, there has been an increased class consciousness--very serious in a democracy. There have been so many denunciations of businessmen and newspapermen that there has developed class antagonism toward them by many. Now there is a minority of them that may need denunciation, but every group has such a minority. To pick on just these two sets them apart.

Along this same line is the attitude that gains can come to one class only at the expense of another class. This certainly does not make for unity. This country has not reached the end of its progress. It will increase and create values to be shared if capital accumulation and free enterprise are permitted. To say that one class gains only at the expense of another is to infer that progress has ceased and a state of maintenance is now existing. It is to bring class conflict which hinders progress rather than to inspire the class cooperation necessary for progress.

Certain events might occur which would facilitate greatly the path toward Fascism. Max Lerner has said:

Fascism is impossible in any country unless the road has been prepared for it through three developments--economic collapse, political paralysis, psychological hysteria. They are the pre-conditions for the building of Fascist power. (1)

(1) Lerner, Max, It is Later Than You Think (New York, 1939), p. 36

Let us analyze why this may be true and how the conditions fit into our lives.

Economic collapse is a broader term than seems necessary. I think just insecurity is one of the prerequisites to Fascism. Since Fascism relies on contemporary events for its stimulus, any time that large numbers of people feel that their economic life is insecure whether from a depression or a real economic collapse or war they are going to be ready to follow someone who promises security. Depressions, such as the last one, make the individual lose his own confidence. He becomes so weary of trying to secure a living that he may forget what his individual rights are. He becomes so desperate in his need for a little security that he gladly tosses aside those rights, which he has forgotten the meaning of, for a little protection from the government.

Those who do not feel the need for security quite so much see the rising restlessness in the masses and fear some sort of revolution which will deprive them of what they have. For a continuance of the status quo they are willing to follow anyone who promises law and order.

We have seen in the United States during the past depression the ease with which the government took over control of one branch of the economy after another. Given

the right kind of a leader at such a time and dictatorship would have arrived.

We have all felt the impact of war in our stringent government controls of rationing, priorities, selective service, war manpower, and censorship. Walter Lippman has said that, "There is no essential feature of Fascism that is not a familiar phenomenon in any highly organized nation when it goes to war." (1) These measures are supposed to be temporary. The great danger, as I have said, will come at the close of the war when the many difficulties which will arise will defy the relatively slow process of our constitutional democracy.

Political paralysis, a decided breeder of Fascism, has been a serious threat during the past decade. All democracy is based on free organization of varying political opinions, usually into political parties. These enjoy equal rights. The very existence of such parties means that the citizens of the country may not always agree but that they prefer to use persuasion and argument rather than force. A one-party system, such as in Italy, cannot permit divergent views to be developed, for such views might offer a threat to the party's existence.

(1) Lippman, Walter, The Good Society (Boston, 1937), p. 65 with permission of the Atlantic Monthly.

Our constitution established many checks and balances so that ideas and experiments might be constantly checked and tested. Thus reason--not force or hysteria--was made the basis of our democracy. During the past decade several threats to this system have arisen. An illustration is the bill which came before Congress in 1937 to permit the enlarging of the Supreme Court. This bill was not passed, but even that such a bill could be sponsored by the head of the United States was a serious threat. Note what the majority report of the Judiciary Committee of the Senate said in conclusion when it issued its report on the measure:

We recommend the rejection of this bill as a needless, futile, and utterly dangerous abandonment of constitutional principle.

It was presented to the Congress in a most intricate form and for reasons that obscured its real purpose.

It would not banish age from the bench nor abolish divided decisions.

It would not affect the power of any court to hold laws unconstitutional nor withdraw from any judge the authority to issue injunctions.

It would not reduce the expense of litigation nor speed the decision of cases.

It is a proposal without precedent or justification.

It would subjugate the courts to the will of Congress and the President and thereby destroy the independence of the judiciary the only certain shield of individual rights.

It contains the germ of a system of centralized administration of law that would enable an executive so minded to send his judges into every judicial district in the land to sit in judgment on controversies between the government and the citizens.

It points the way to the evasion of the Constitution and establishes the method whereby the people may be deprived of their right to pass upon all amendments of the fundamental law.

It stands now before the country acknowledged by its proponents as a plan to force judicial interpretation of the Constitution, a proposal that violates every sacred tradition of American democracy.

Under the form of the Constitution it seeks to do that which is unconstitutional.

Its ultimate operation would be to make this government one of men rather than of law, and its practical operation would be to make the Constitution what the executive or legislative branches say it is--an interpretation to be changed with each change of administration.

It is a measure which should be so emphatically rejected that its parallel will never again be presented to the free representatives of the free people of America. (1)

(1) Moley, Raymond, After Seven Years (New York, 1939),
p. 361

Another threat to our system of checks was the third term for a president and the near death of all parties but the Democratic. Luckily this last threat seems to be being checked by the recent elections and the present Congress.

A more insidious danger, although less tangible, has been the dislike by the present administration of criticism. This has been shown in the great animosity toward newspapers which criticised or were opposed to the New Deal. Again it has been shown in the calling of people who did not adopt completely the views of the administration "yes but" liberals and copperheads, and the attempted purge of Congressmen, in the 1937 election, who had opposed the administration. It is difficult to see all sides of a question fairly. For that reason an active minority is necessary in a democracy and should even be encouraged so that fewer mistakes will be made from poor judgment. Our political system must be kept active and alive for paralysis would soon mean a one-party government and shortly Fascism.

Psychological hysteria may appear in any period which is deranged or confused when many people are much more susceptible to the claims of someone with a supernatural solution for the troubles of the world. This type

of hysteria does not respond to positive facts of reality. People who despair of the known which has not brought happiness turn willingly to anything novel or untried which, they are told, will bring improved conditions. This is illustrated by something Mr. Drucker heard Hitler proclaim many years ago before a wildly cheering peasants' meeting. "We don't want lower bread prices, we don't want higher bread prices, we don't want unchanged bread prices--we want National-Socialist bread prices." (1) Mr. Drucker refers to this in his book, The End of Economic Man, as follows:

'Higher bread prices,' 'lower bread prices,' 'unchanged bread prices' have all failed. The only hope lies in a kind of bread price which is none of these, which nobody has ever seen before, and which belies the evidence of one's reason. (2)

This type of hysteria has been present in the United States especially during and since the depression. It stems from frustrated people who seek escape in abnormal behavior. Anyone who doubts this need only consider "Father Divine" who has so many followers, or Huey Long who ruled Louisiana as a dictator. All that is asked of the people is just to have faith in their leadership and

(1) Drucker, Peter F., The End of Economic Man (New York, 1939), p. 13-14

(2) Ibid, p. 84

let them manage everything else. It is this search for an easy solution to problems that make the people ready to listen to anyone who throws a cloak of mysticism around himself and inspires belief in his infallibility if only one will have faith.

These may be extreme illustrations, but there are many things which show that there is some of this hysteria in many people. Otherwise how can one account for the increased interest in such things as astrology, spiritism, the Oxford group, or the Townsendites?

Some will say that Fascism can only come through violence and that that danger does not seem to be present. I do not hold that violence is necessary, but, at that, violence crops up from time to time throughout the United States. Perhaps the most famous illustration is the Klu Klux Klan.

I have discussed the seed bed for Fascism, but how might we come to accept and adopt Fascism? Passing by violence as a method, let us glance at some other ways. Fascism in this country would probably go under a different name--a disguise under which one would still find the wolf if one evaluated it carefully. There is a great danger through propaganda. In no other age was there such an opportunity for it. The radio is a demagogue's paradise.

The public may get disgusted with the muddling of Congress, the slowness in getting anything accomplished. Some may look at Fascism and like its apparent efficiency, its dynamic energy and activity. Fascist Italy has always been careful that tourists to Italy see only the improvements which have been made. The conducted tours always bypass any squalor or obvious poverty. Tourists are granted all kinds of favors. These people who see the order Fascism has brought and do not examine it closer might be the first to advocate the efficiency of such a government. They are willing to exchange their freedom for activity which will bind them down so securely that finally they will realize that with their freedom fled hope for a good life.

The desire for security may be too great. There is a growing demand among many people that the government supply or guarantee certain things. It is suggested that after the war the social security system be greatly enlarged, that medical care shall be provided for all, that milk be given all, and even food. These would result in an extension of our federal economic system and mean more collectivism. And the end would not be there. Such things would lead to others until finally liberty of the individual would be greatly endangered--all for the want of security.

So far I have not mentioned any offsetting factors, but there are some. There is the spirit--reckless as it may be--of trying anything once, but Americans usually find their equilibrium. They may try a thing, but there is an innate reserve which, although allowing them to try it, brings them to their senses if it turns out poorly. Thus we experiment in government but keep our balance usually. For example, we had the N. R. A. and then discarded it.

Certainly it is true that we listen to propaganda and to demagogues. Anyone who has ability to rouse a crowd is certain of getting an audience. But the Americanism of that is that he can never be certain who are the loyal followers and who the curious onlookers.

One more factor is the strong tradition of democracy in the United States. It goes deep within most Americans, and while they may permit things to threaten this tradition for awhile, they will not allow things to go too far without objecting.

When this War is won, let us remember that it was for freedom we fought. Let us never be lulled into thinking that freedom is compatible with any form of Fascism. The latter's demands are all encompassing. As a last reminder let me quote Lyman Bryson's summary of Fascism's demands on the individual:

1. Give up comfort; be happy under discipline.
2. Give up curiosity; believe everything you are told.
3. Give up individuality; be a cog in the nation's machine.
4. Give up responsibility; let a leader think for you.
5. Give up freedom; learn to obey.
6. Give up life; and not thine but thy Leader's shall be the kingdom, and the power, and the glory forever! (1)

(1) Bryson, Lyman, Which Way America (New York, 1940),
p. 59

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